

Bringing in new presidents

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BUSINESS WEEK

A McGRAW-HILL PUBLICATION

FIFTY CENTS

NOV. 8, 1958

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piggy back systems, they think they've
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"National POST-TRONIC machines save us 53% annually
on our investment!"

—BISHOP NATIONAL BANK of Hawaii

In an atmosphere of informal friendliness, we endeavor to provide the best service possible to our customers. To accomplish this to a still greater degree, we investigated the most modern electronic-controlled equipment on the market, and have installed ten National POST-TRONIC[®] machines.

These ten POST-TRONIC machines take the place of thirty conventional machines, a saving in posting time and floor space. There are other important savings and benefits.

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*See Note

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GENERAL BUSINESS

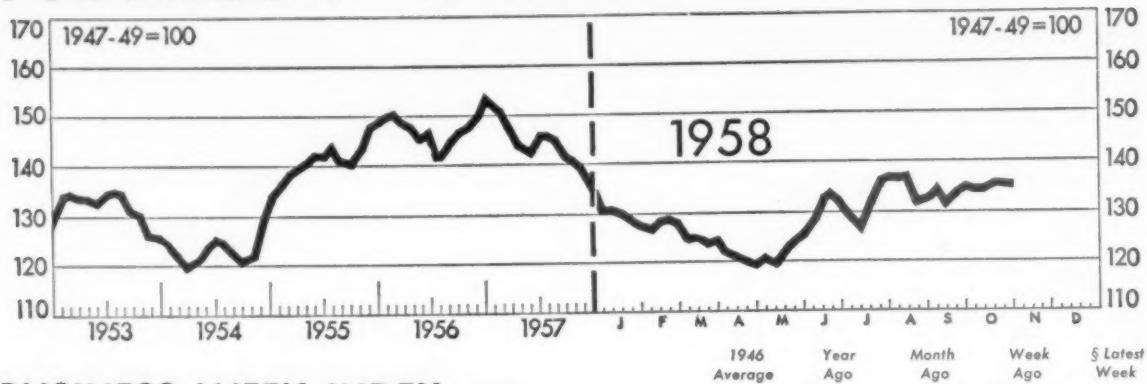
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BUSINESS WEEK INDEX (chart)

PRODUCTION

Steel ingot (thous. of tons)	1,281	1,996	1,933	1,2024	2,011
Automobiles and trucks	62,880	154,894	53,567	190,410	127,339
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.)	\$17,083	\$51,763	\$64,660	\$46,898	\$43,214
Electric power (millions of kilowatt-hours)	4,238	11,860	12,111	12,174	12,330
Crude oil and condensate (daily av., thous. of bbls.)	4,751	6,712	7,014	6,919	6,911
Bituminous coal (daily av., thous. of tons)	1,745	1,652	1,483	1,411	1,410
Paperboard (tons)	167,269	292,063	308,845	304,776	317,807

TRADE

Carloadings: mfrs., miscellaneous and l.c.l. (daily av., thous. of cars).....	82	67	63	65	64
Carloadings: all others (daily av., thous. of cars).....	53	51	49	51	49
Department store sales index (1947-49 = 100, not seasonally adjusted)....	90	136	136	146	140
Business failures (Dun & Bradstreet, number).....	22	250	301	275	299

PRICES

Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100).....	311.9	384.1	389.2	390.2	393.2
Industrial raw materials, daily index (BLS, 1947-49 = 100).....	††73.2	85.5	86.9	89.6	89.8
Foodstuffs, daily index (BLS, 1947-49 = 100).....	††75.4	82.7	84.4	82.9	82.7
Print cloth (spot and nearby, yd.).....	17.5¢	17.4¢	17.6¢	17.7¢	17.7¢
Finished steel, index (BLS, 1947-49 = 100).....	††76.4	181.7	186.6	186.7	186.7
Scrap steel composite (Iron Age, ton).....	\$20.27	\$33.33	\$42.83	\$42.50	\$42.83
Copper (electrolytic, delivered price, E & MJ, lb.).....	14.045¢	26.538¢	26.525¢	29.115¢	29.106¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$1.97	\$2.14	\$1.98	\$1.96	\$1.96
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	**30.56¢	33.82¢	34.76¢	34.74¢	34.76¢
Wool tops (Boston, lb.).....	\$1.51	\$1.97	\$1.60	\$1.69	\$1.66

FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).....	17.08	40.58	50.65	50.80	51.55
Medium grade corporate bond yield (Baa issues, Moody's).....	3.05%	5.02%	4.92%	4.91%	4.90%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	3/4-1%	4 1/8 %	3 1/4 %	3 1/4 %	3 1/4 %

BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.	††45,820	55,805	55,967	56,703	57,283
Total loans and investments, reporting member banks.	††71,916	86,743	93,595	94,062	93,906
Commercial and agricultural loans, reporting member banks.	††9,299	31,756	30,287	30,315	30,337
U. S. gov't guaranteed obligations held, reporting member banks.	††49,879	25,191	31,431	31,854	31,632
Total federal reserve credit outstanding.	23,888	24,972	26,275	27,046	26,767

MONTHLY FIGURES OF THE WEEK

		Average	High	Low	Previous
Employment (in millions)	October	55.2	66.0	64.6	65.3
Unemployment (in millions)	October	2.3	2.5	4.1	3.8
Private expenditures for new construction (in millions)	October	\$803	\$3,196	\$3,229	\$3,143
Public expenditures for new construction (in millions)	October	\$197	\$1,466	\$1,606	\$1,567
Consumer credit outstanding (in millions)	September	\$6,704	\$43,270	\$43,217	\$43,238
Installment credit outstanding (in millions)	September	\$3,174	\$33,415	\$33,232	\$33,158
Wholesalers' inventories (seasonally adjusted, in billions)	September	\$5.5	\$12.8	\$12.1	\$12.1
Retailers' inventories (seasonally adjusted, in billions)	September	\$9.8	\$24.4	\$23.9	\$23.7
Exports (in millions)	September	\$812	\$1,540	\$1,396	\$1,362

* Preliminary, week ended November 1, 1958.
† Revised.

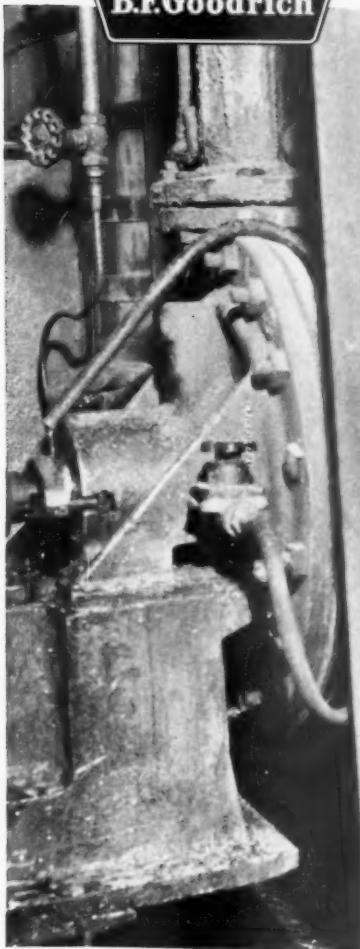
†† Estimate.

• Date for 'Latest Week' on each series on request.

Revised.

THE PICTURES—Cover—Mike Shea; 26—(top lt. & top rt.) W.W., (bot. lt. & top cen.) U.P.I.; 27—(top lt. & side rt.) U.P.I.; (top cen., top rt., & bot.) W.W.; 28—(top lt., top rt. & bot. lt.) W.W. (top cen., bot. cen., & bot. rt.) U.P.I.; 29—Joan Sydow; 43—Grant Compton; 54—(top two & bot. lt.) Herb Kratovil, (bot. rt.) Mike Shea; 55, 56—Herb Kratovil; 62—Burroughs Corp.; 68—United Artists; 92, 93—Grant Compton; 107, 108, 110—Bud Lake; 113—Robert Isear; 126—Citizens & Southern National Bank; 127—(top) Hershel Miller, (bot. lt.) Ezra Stoller, (bot. rt.) Torkel Karling.

B.F.Goodrich



Rubber makes a noisemaker pipe down

B.F. Goodrich improvements in rubber brought extra savings

Problem: Metal pipes, carrying 400 gallons of hot acid a minute, were cracking up after a few months' service. Vibrations from the powerful pump shook the pipes until they banged and rattled, gradually cracked, leaked corrosive acid. Expensive pipe was being replaced two or three times a year.

What was done: The plant superintendent, working with a B.F.Goodrich distributor, decided to replace a short length of lead pipe between the tank

and pump with a B.F.Goodrich Flexseal Connector. This is a special kind of hose, made of thick, resilient rubber, which is designed to absorb the pump vibrations traveling along pipelines. A coil of round steel wire, buried in the hose, keeps it from collapsing even under powerful suction.

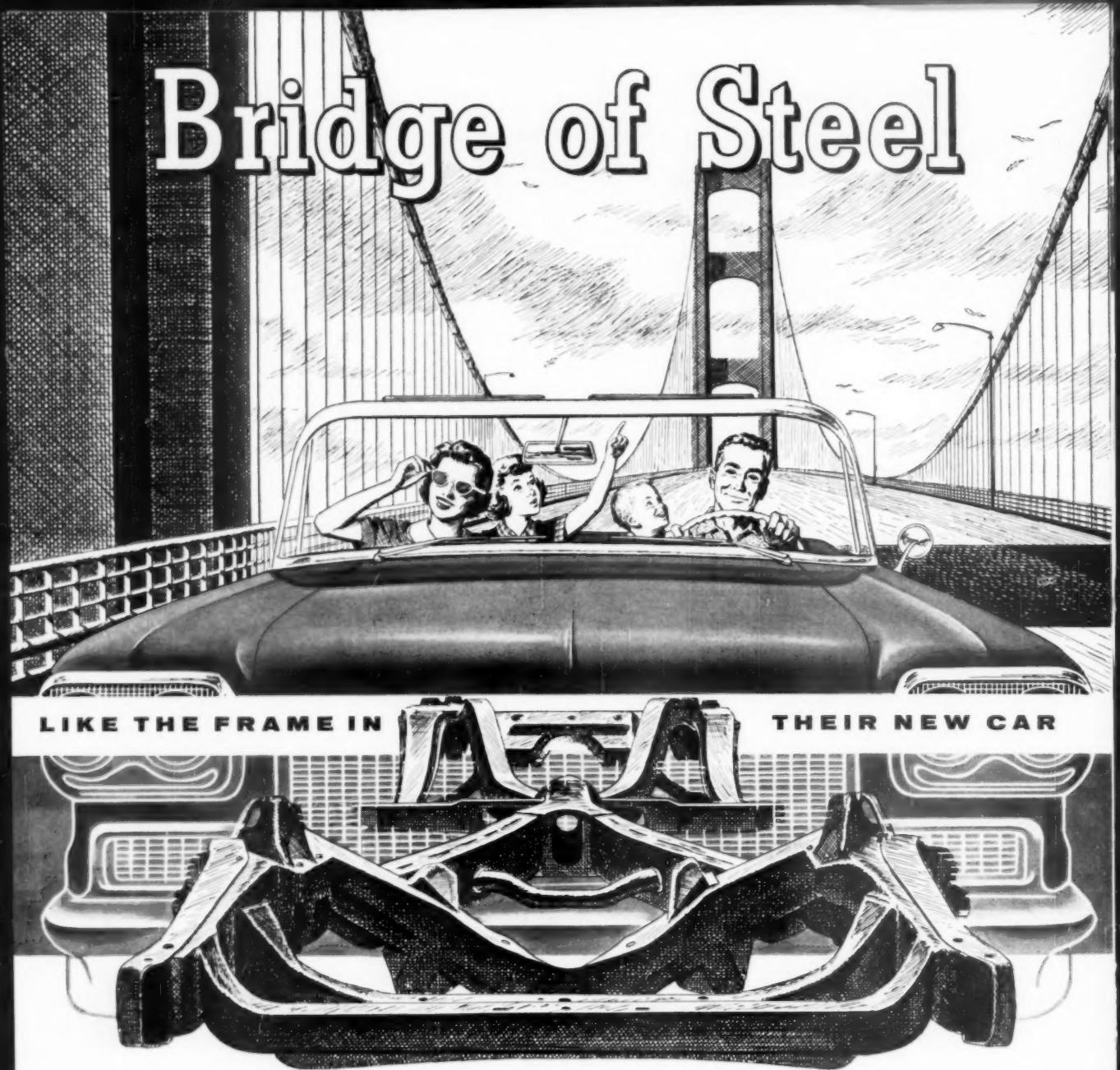
Savings: At a cost of only \$105, this B.F.Goodrich hose saved the company \$1,000 in the first year by eliminating the harmful shaking that caused broken

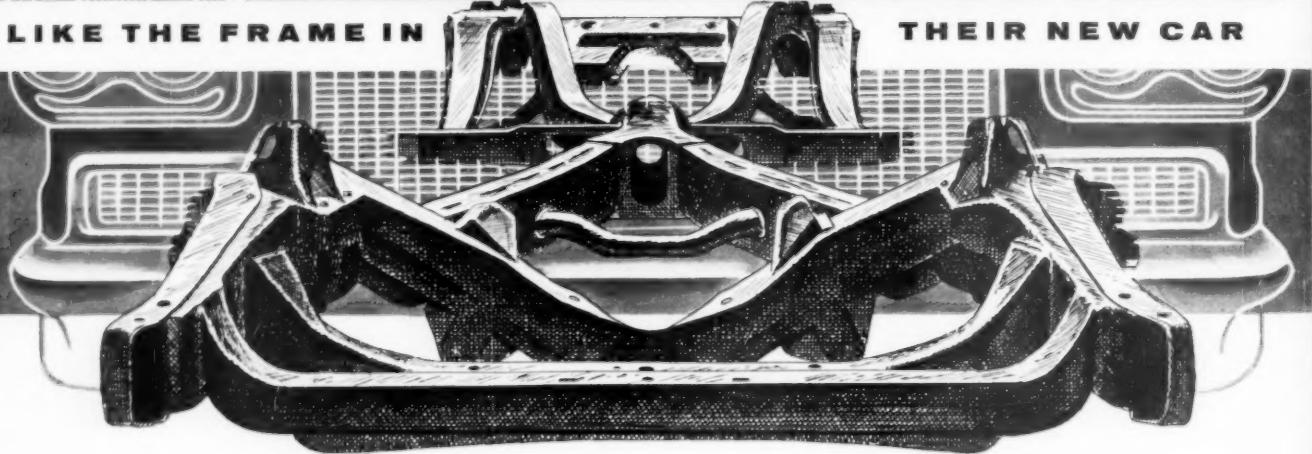
connections, frequent repairs, costly pipe replacements. Even greater savings will be made because the sturdy, acid-resisting hose is expected to last another two years.

Where to buy: Your B.F.Goodrich distributor has exact specifications for the B.F.Goodrich hose described here. And, as a factory-trained specialist in rubber products, he can answer your questions about all the rubber products B.F.Goodrich makes for industry. *B.F.Goodrich Industrial Products Company, Dept. M-474, Akron 18, Ohio.*

B.F.Goodrich *industrial rubber products*

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READERS REPORT

Clarification

Dear Sir:

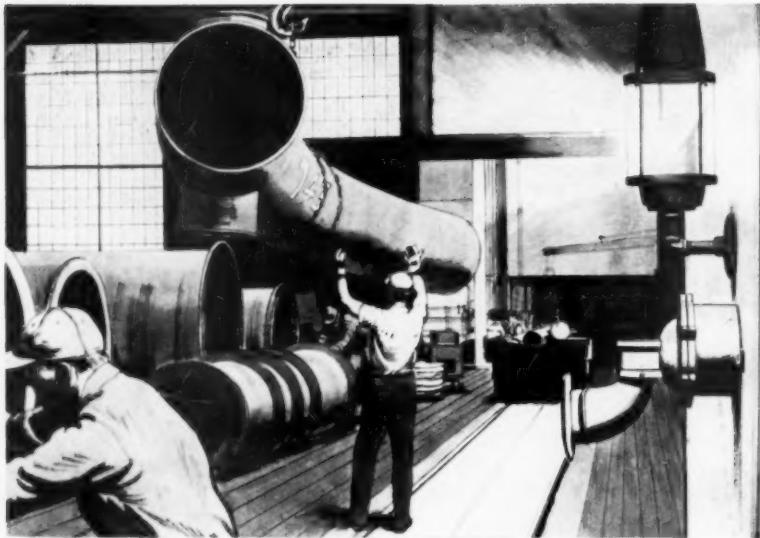
As head of the banking group which financed the Massachusetts Turnpike Authority in 1954, we wish to call your attention to, and strongly protest against, the very erroneous impression of the financial condition of the Massachusetts Turnpike Authority which was created in the minds of many bondholders by the article *Toll Roads Take Their Last Turn* [BW—Oct. 18'58, p.58].

1) You state "this Pike has earned only about 54% of its estimated revenue." For the nine calendar months ended September 30, 1958, the Authority earned in excess of 67% of the estimates of gross revenue given for that period in the prospectus at the time of the issue. In this connection, it is generally conceded that gross income figures forecast for the early years of virtually all turnpikes were estimated between 25% and 30% too high. The official report of the Massachusetts Turnpike for the nine months' period given above shows net earnings of 89% of the interest charges for that period, after all operating expenses and current maintenance.

2) Your statement that, "it needs another 14 mile section to tap its potential, but financing is already in doubt", has caused great confusion among the bondholders as to what part of the Turnpike you were referring. The western connection with the New York Thruway, of some 24 miles, is completed for 18 miles and in operation since October 8, 1958. The bridge over the Hudson, which will complete the connection, will be in operation next Spring. Financing for this connection has already been done.

If you are referring to the eastern end of the Turnpike, the plans for the 12 mile section coming into Boston have been virtually completed, the financing, of course, being contingent on the final reports and estimates.

3) You state, "it" (the Turnpike) "will require special financing, probably next year," indicating that it is in financial difficulty. This is ridiculous. Funds are already in the trustee's hands to meet the November 1, 1958 and the May 1, 1959 coupons. In addition to this, the authority has in excess of \$4-millions unexpended in its contingency reserve. The gross earnings for 1958 have shown an



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increase in excess of 9% over a comparable period from the date of opening on May 15, 1957.

There is every indication, with tighter budget controls which have been instituted, and barring an unusually severe winter, that the Turnpike will comfortably cover its interest charges in 1959. . . .

JOHN O. STUBBS

F. S. MOSELEY & CO.
BOSTON, MASS.

•It is BW policy to present a fair and impartial picture of business developments. In accord therewith, we publish the above letter in an effort to clarify the Mass. Turnpike financial situation, with the latest information available.

Not a Hoffa Book

Dear Sir:

. . . The Teamsters Union by Robert D. Leiter [BW—Sep. 6'58, p79] . . . is a history of the Teamsters Union and its impact on the American economy and not a biography of James R. Hoffa. Only one of the 12 chapters is devoted to Hoffa's biography. . . .

JOEL E. SALTMAN
BOOKMAN ASSOCIATES INC.
NEW YORK, N. Y.

Daimler-Benz Line

Dear Sir:

Re: Sonnabend to be S-P's Doctor, [BW—Aug. 23, '58, p28].

We would like to congratulate you on an excellently written and fairly presented article. However, we would like to draw your attention to one minor error. In the last paragraph of the first column of the article you state ". . . to carve a piece of the markets for inexpensive (around \$2,000) family cars and for expensive sports cars". . . . Daimler-Benz produces approximately 12 different models of cars ranging from what is probably the most economical car of its size and quality in the world . . . to what you correctly term, expensive sports cars. We have for example five models of sedans that retail at New York port of entry price at less than \$4,000. Out of 12 models, only three are sports cars. . . .

W. F. ROBINOW
DAIMLER-BENZ OF
NORTH AMERICA, INC.
NEW YORK, N. Y.

Letters should be addressed to Readers Report Editor, BUSINESS WEEK, 330 West 42nd Street, New York 36, N. Y.

Clarence E. Cross, Division G

he lends to the rubber industry

Harvey Firestone used to tell the story: in the 1890's, when his company was young, he'd experienced real difficulty in borrowing money for financing. Difficulty, that is, until he visited The First National Bank of Chicago.

There a young officer not only talked intelligently with him about the rubber business but loaned him \$10,000. In the ensuing years—as Firestone grew to be a titan in the rubber industry—this bank continued to serve him with financial aid.

Clarence E. Cross, whom you see here, was a bell-boy to that officer who made the first bank loan to Harvey Firestone. Today, Mr. Cross, himself, can look back upon a long, useful career of financing men in the rubber industry. Since 1945 he has served as a Vice President in Division G here—offering specialized financial assistance to manufacturers of rubber products.

Division G extends lines of credit to rubber companies, supplying working capital and information to firms of every size and activity. Its men can talk knowledgeably about milling operations or prices of rubber and synthetics. They visit customers frequently, keeping abreast of marketing trends and new methods of manufacturing.

Their depth of knowledge is typical of officers in each of the 10 Divisions of the Commercial Banking Department here. Each Division serves one group of industries exclusively. Businessmen, whatever their field, lose no time in getting down to brass tacks immediately.

Whether you're manufacturing tires or marketing meat products, you'll find an especially *understanding* banking service here. Come in and talk your situation over soon!

**The First National Bank
of Chicago**

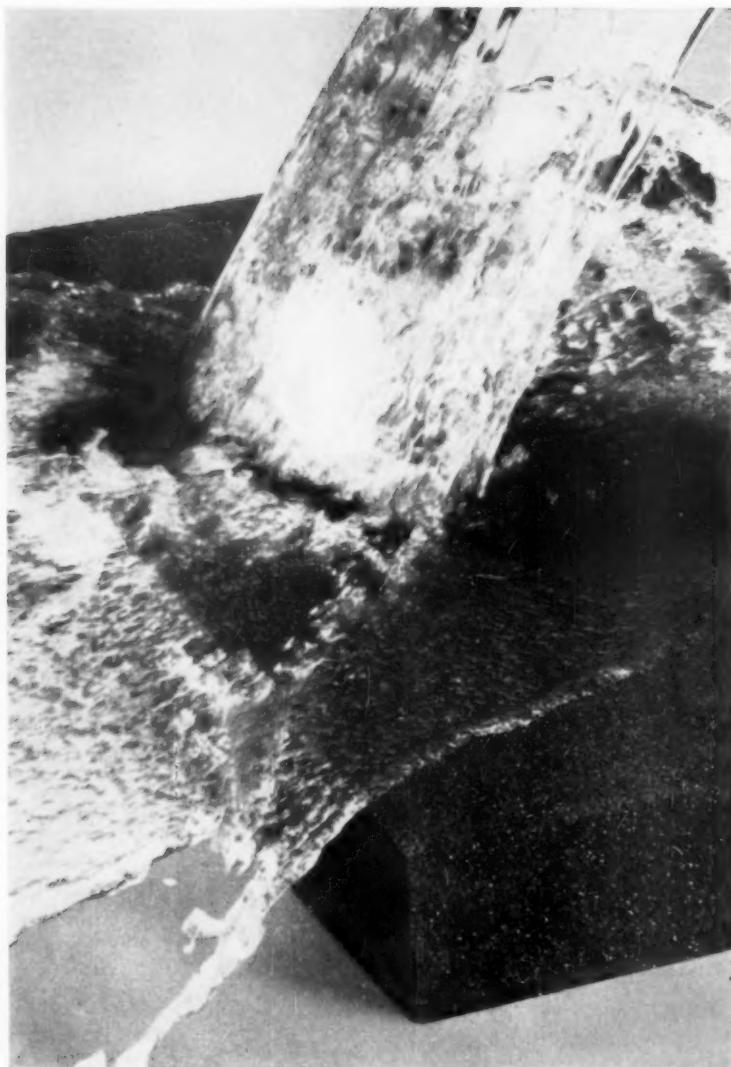


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Most important, the ideal insulation must be impervious to water vapor as well as liquids—in order to insure constant performance under all humidity exposures. It should be proof against acids and acid vapors. It should be incombustible . . . dimensionally stable . . . impervious to vermin . . . strong enough for a variety of structural uses. Just one insulation—cellular glass—meets all of these qualifications.

FOAMGLAS is the only cellular glass insulation.

FOAMGLAS may well be the one satisfactory solution to all your insulating problems. For detailed literature, write—specifying your particular insulation requirements—to Pittsburgh Corning Corporation, Dept. F-1181, One Gateway Center, Pittsburgh 22, Pennsylvania.

PC Glass Blocks and FOAMSIL® are other outstanding products of Pittsburgh Corning.

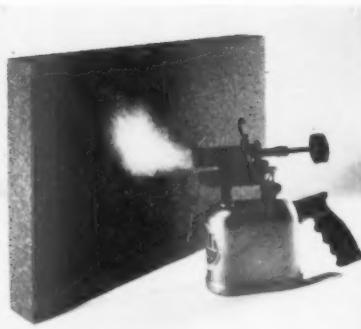
P I T T S B U R G H

gives you all these key benefits

CELLULAR GLASS INSULATION



Moisture-proof! The minute liquid or vapor enters an insulation, it begins to lose its insulating value because moisture conducts heat. FOAMGLAS, a material composed entirely of sealed glass cells, is completely impervious to all moisture. Its K factor—measure of insulating performance—never varies.



Can't Burn! Smoldering insulation in walls or roof of a building is a deadly fire hazard, hard to detect, difficult to control once detected. FOAMGLAS eliminates this hazard because it is the only insulation composed entirely of incombustible glass. This may even mean lower fire insurance rates in some cases.



Dimensionally Stable! Most insulations tend to warp, swell, shrink or slump after they are installed. This causes open joints in the insulation . . . insulation voids that create a serious loss of efficiency. There is no such difficulty with FOAMGLAS. This all-glass insulation always maintains absolute dimensional stability.



Vermin-proof! Most insulations offer no protection at all against vermin in food processing, storage or handling operations. Rats and other vermin gnaw right through them. FOAMGLAS, on the other hand, affords an excellent vermin barrier. Its all-glass composition offers no food or nesting materials for vermin.



Strongest! FOAMGLAS has a compressive strength of over 7 tons per square foot (av. ult.). It forms a solid base for built-up roofing. It makes possible the placing of insulation beneath heavily loaded floors. And high strength FOAMGLAS permits such cost saving design innovations as free standing walls and partitions.



Acid-proof! There is often a lot of acid around a processing operation. Even the atmosphere around processing plants frequently has a high acid content. Acids will attack and destroy most thermal insulating materials, but they won't harm FOAMGLAS. This unique all-glass material is completely impervious to all common acids.

pc CORNING



Geiger counter looks for trouble. Liberty's staff of radiation specialists keeps a close check on policyholders that handle radioactive materials. Periodic plant inspections by Liberty's industrial hygienists check invisible hazards in plant environment before they can become serious. In this way, employee morale is kept at a higher level, accidents are avoided, and policyholders' insurance costs are kept down.

New ways Liberty Mutual provides

Protection in depth

• to safeguard your people • to cut workmen's compensation insurance costs

In the long run, the best way for a businessman to cut the cost of his compensation insurance is to cut down on accidents and losses. To help in this job, Liberty Mutual policyholders — whether they employ 25 people or 25,000 — can call on a range of extra services that is unusually broad in its scope and thoroughness.

This is Liberty's protection in depth. It includes an occupational medicine program . . . a 400-man staff of full-time safety engineers and hygienists . . . the insurance industry's first rehabilitation center for seriously injured workers . . . an 86-acre center devoted entirely to scientific research on policyholder loss and accident problems. These, and all the other extra services of Liberty's protection in depth, are at work to avoid accidents and to lessen their cost impact if they happen.

We believe this is good business for our policyholders and for us. Protection in depth has helped Liberty Mutual become the company with the largest experience in workmen's compensation insurance. It has helped us deliver to policyholders dramatic safety improvements to reduce the cost of this insurance. And it has enabled us to return dividend savings of well over \$455,000,000. Let us show you how protection in depth can now help you.

How long can a man work in a 250° oven? Paper-mill workers found it impossible to withstand the choking heat inside a kiln for more than a few minutes. Liberty tackled this policyholder's problem at our Research Center, developed a unique breathing device—a thermal respirator made of layers of aluminum mesh. As a worker exhales through it, his breath cools incoming air to body temperature, enabling him to breathe and work comfortably for more than 20 minutes—time enough to do the job.



Rebuilding injured men through prosthetics know-how, physical therapy and occupational therapy is the function of Liberty Mutual's two rehabilitation centers. Badly injured employees of Liberty policyholders come from far and near to these centers to help themselves recover, regain self-respect and get back on the job. Of the thousands who have been treated here, an amazing 69% were able to go back to work and get off compensation.

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Insurance for: Automobiles, Liability, Group Accident and Health, Fire, Workmen's Compensation, Marine, Crime



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This Fan-coil UniTrane unit heats, cools, dehumidifies . . . gives each occupant the climate he wants at a finger-tip touch. Induction type UniTrane systems are also available.

Trane changes climates to order in buses and trains, ships and planes; heats and cools factories and schools, hotels and homes. For human comfort or industrial processing—for any air condition, turn to TRANE.

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all 4 related fields . . . Air Conditioning



Space a problem? A TRANE CenTraVac water chiller may be installed anywhere from basement to rooftop. Automatically supplies the right amount of chilled water.

...thrift for owners... Air Conditioning!

Each occupant dials the climate he wants with a TRANE Air Conditioning System. He gets clean, crisp cooling—or gentle, even warmth—every hour of the day.

The building owner likes the way his TRANE system saves money! Exclusive TRANE features have solved the problems of frequent tenant changes, difficult architectural requirements. And you get economical part-load cooling in fall or spring—or during periods of partial occupancy. TRANE leadership in all phases of heating, cooling and ventilating assures you of superior design, peak performance—with matched equipment for any job.

These are the advantages you enjoy with TRANE Air Conditioning. You give your tenants or employees the comfort they want—and you get the maximum return on your air conditioning investment.

Versatile TRANE equipment is used to provide ideal climate in apartments, hotels, office buildings and factories . . . buildings of every size and type, new or existing.

When you plan air conditioning for your multi-room, multi-story building, make it TRANE. Ask your architect or consulting engineer to talk to your nearby TRANE Sales Office—or write directly to TRANE, La Crosse, Wisconsin.

For any air condition, turn to

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MANUFACTURING ENGINEERS OF AIR CONDITIONING,
HEATING, VENTILATING AND HEAT TRANSFER EQUIPMENT

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Heating

heat and cool your entire home with a trim, impact, efficient TRANE Residential Climate Control. Cooling section may be added later, if you wish. Sizes for any home.



Ventilating

Stale air vanishes from school locker rooms and gymnasiums when a TRANE Torrivent is on the job! Heats AND ventilates any large, open area in any type building.



Heat Transfer

Super-high temperatures are taken in stride by durable, compact, lightweight TRANE Heat Exchangers. They help create the special climates needed in industry and defense!



Industry's chemicals:

WHAT'S MAKING NEWS?

The biggest news in industrial chemistry hasn't been released yet—because it hasn't been made. But it may be tomorrow! And you may preview it here. Research chemists across the country are working on new processes and products which will have vital significance to profit-minded manufacturers. These messages are designed to keep you abreast of the facts by presenting them in easily read form.

NUMBER

4

You may wish to check certain items in this advertisement and forward to those concerned in your company.

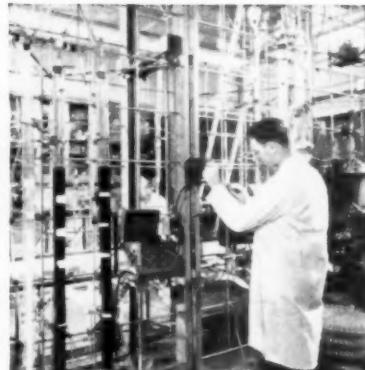
ROUTE TO:

UNUSUAL "EXCHANGE" CHEMICAL SUBSTITUTES PROFITS FOR PROBLEMS

Ion exchange resins have been performing chemical miracles for years—chiefly in that familiar household tool, the home water softener. But scientists know that the real potential of ion exchange has scarcely been touched. Research men at Dow feel that, within a few years, at least half the ion exchange resins produced will be used in fields other than water treatment.

The principle of ion exchange has, of course, been known to chemists for many years. Stated simply, the resins merely trade ions—tiny electrically charged particles—for ions of a different type whenever they come in contact with them. In water softening, calcium and magnesium ions, which make water hard, are removed by passing the water through a bed of resin such as Dow's widely used Dowex®. Troublesome magnesium and calcium ions are traded for harmless sodium ions.

The future of ion exchange chemistry is as broad as the imaginations of thousands of research chemists. Its applications are almost limitless. One of the most interesting is in the separation of a relatively unexplored group



Constant laboratory research has led Dow to many ion exchange resin improvements in recent years.

of elements known as "rare earths". This group (e.g. terbium, samarium and yttrium) constitutes nearly one fifth of all the known elements but has

been largely ignored by chemists in the past because the extreme similarity of its members made it almost impossible to separate one from another. Recently, great strides have been made in this field, using the ion exchange principle. As a result, you will hear much more of the rare earths and their useful possibilities in the years ahead.

In more immediate commercial use, ion exchange resins are widely used in the removal and concentration of uranium from ore which has been leached in an acid solution.

Medically, the process is used to remove calcium from blood by exchanging it for sodium in the resin. Since blood must have calcium to clot, this is an ideal method of preventing clotting when it is medically undesirable, as in the drawing of blood for transfusions.

In the isolation of amino acids (widely used in animal feed supple-

DOW CHEMICALS BASIC TO INDUSTRY

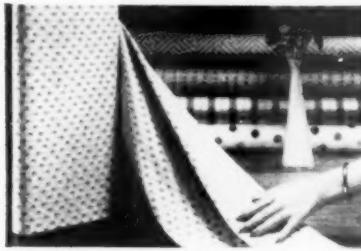
Glycols, Glycol Ether • Amines and Alkylenic Oxides

Benzene Derivatives • Inorganic Chlorides • Alkalies and Halogens

Solvents • Germicides • Fungicides • Herbicides • Fumigants

Hundreds of other Chemicals • Plastics • Magnesium

ments), in the decontamination of chromic acid solutions during the plating process, and in a thousand other ways ion exchange resins are proving their worth. The ion exchange process, according to Dow, is rapidly joining the ranks of distillation, evaporation, and crystallization as an established unit process. Ion exchange resins are useful in isolating materials, classifying them, and also as catalytic agents.



REMARKABLE DYE SOLVENT gives fabrics brighter, faster colors

Many textile manufacturers are receiving excellent performance from a new dye solvent recently put on the market by Dow. Dowanol DE-SG, one of the many Dowanol® compounds (glycol ether solvents), is used as a solvent with pastes containing alkyds to control evaporation, aid penetration and leveling.

It is especially effective when used with indigo type dyes. Just a little Dowanol DE-SG greatly increases solubility of the dye. It provides brighter colors and better resistance to crocking. (Crocking is the soiling or staining of adjacent material by the coloring matter in the fabric.) More and more textile people are benefiting by Dow's consistent quality which assures them uniform end product.

Other important uses of the Dowanol products are in today's modern, heavy-duty brake fluids, fast drying lacquers, cosmetics and many other areas where extremely versatile solvents are needed.

* * *

If these news reports have stirred your interest, you can get complete information on any of the chemicals mentioned (or any other Dow chemical) from THE DOW CHEMICAL COMPANY, Midland, Michigan, Chemicals Sales Department 8558.

THE DOW CHEMICAL COMPANY
MIDLAND, MICHIGAN



SEPARAN speeds uranium processing

Separan® NP10 is a flocculating agent, an "octopus" chemical which gathers solids into small masses so that they quickly settle to the bottom of a body of liquid. Thus, desired solids may be recovered, unwanted ones eliminated.

Not long ago, a large mining company was attempting to improve throughput in its uranium processing operation. Its development engineers evaluated and used Separan NP10. Net result: an average filtering rate

better than twice what had been achieved before, as well as much greater metal value recovery.

Separan flocculants have countless uses outside the mining field, too. One of the best known is in the clearing of waste water in industrial operations. Processors requiring purer water for their manufacturing operations are also relying more and more on this speedy flocculant. In case after case, its use provides more efficient operation as well as greater economy.

OTHER DOW CHEMICALS of interest to you



CAUSTIC SODA

Long a prime source of this vital material, Dow has recently opened a new caustic terminal at Grants, New Mexico, to serve the vital uranium mining industry.



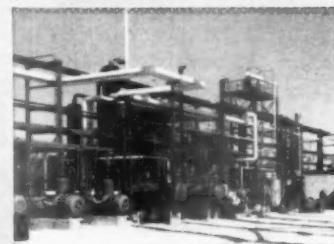
ANHYDROUS AMMONIA

Farmers know this important chemical as their cheapest source of nitrogen, an important fertilizer. Injected into earth as gas, it means greater productivity per acre.



DOW-PER®

This is the Dow trademark for perchloroethylene, used by dry cleaners across the country as a synthetic solvent for cleaning clothes. Dow is a major producer of this product.



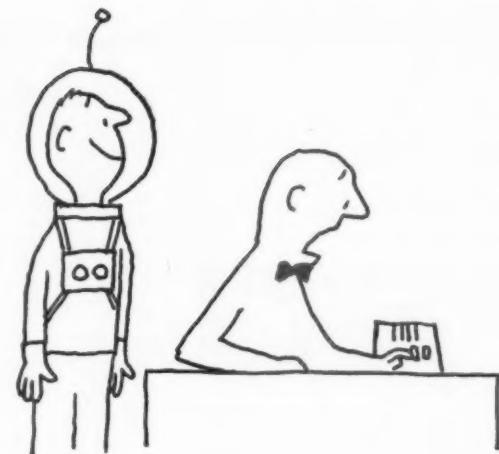
CHELATING AGENTS

Used to deactivate metal ions in liquid, they have wide acceptance in soap, textile, rubber, other industries. The widest line of these chemicals is available from Dow.



1.

The Page & Perry partnership was blessed with huge success,
They worked together hand-in-glove with true togetherness.
And greater glory still ahead seemed certain till the day
That bad luck struck and Perry prematurely passed away.



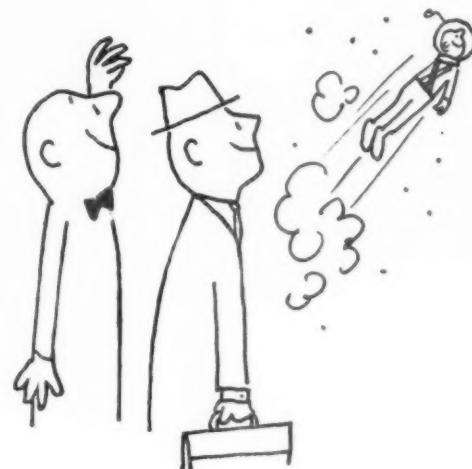
2.

Now Perry's son loved science, and for commerce had no place,
(He wished to be a rocketeer and travel outer space!)
Page called into his intercom, "My Travelers man, please get him.
If Junior wants to circle Mars, by criminy, we'll let him!"



3.

"Praise Perry for his prudence on insisting that we get
The Travelers Partnership insurance when our firm was set.
Now as survivor I have cash to pay off Perry's heir,
The business needn't falter—nor our clients go elsewhere!"



4.

"I'll get a brand-new partner now—a man who shares the load,
And Junior, well provided for, can hit the starry road."
New Page & Co. is doing great—its future well secured.
So hasten! Call The Travelers. Have your partnership insured.



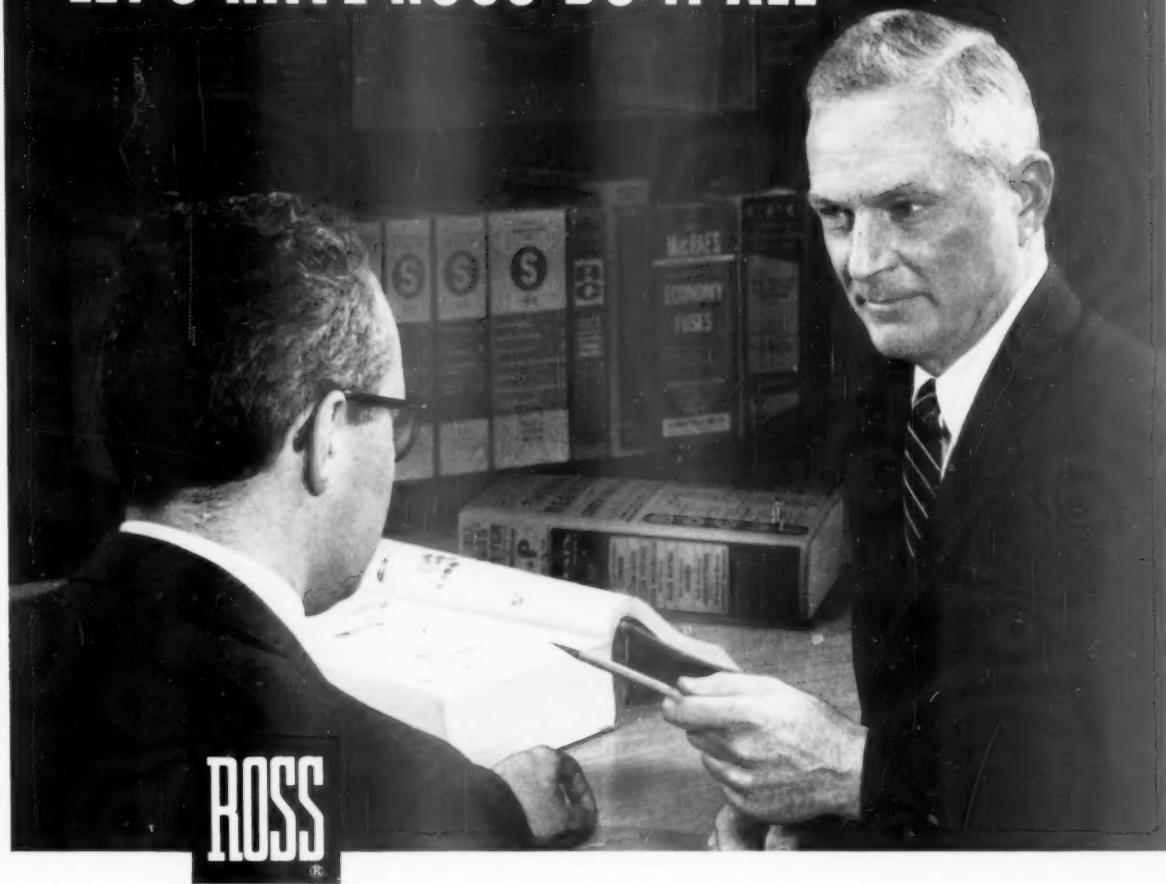
THE TRAVELERS

Insurance Companies

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All forms of business and personal insurance including Life • Accident • Group • Fire • Marine • Automobile • Casualty • Bonds

"LET'S HAVE ROSS DO IT ALL"



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®

"they're the one outfit that builds every heat exchanger and condenser we need"

In heat transfer, assigning the whole project to Ross is not only the surest way to get the job done "right," but the quickest and most economical. Whether you're equipping an entire plant or a process, Ross is in the best position to assume complete responsibility and come up with carefully considered answers fully related to the total problem. Irrespective of function and condition, Ross designs and builds exchangers and condensers to meet *any* requirement.

With primary emphasis on engineering, 40 years devoted exclusively to heat transfer and well grounded experts ready to cope with *any* condition, Ross can handle the tough as well as the routine assignments for you.

Size and quantity pose no problems, either. A Division of American-Standard*, Ross Heat Exchanger

recently opened a large new plant for the manufacture of giant surface condensers and other specially engineered exchangers. With smaller, standardized units being mass-produced at the original plant, Ross versatility and capacity are unmatched in the industry.

Regardless of the role of heat transfer in your operations, it will pay you and your other key management men to learn more about Ross . . . the one sure source for every exchanger and condenser you need. The full story on Ross men, facilities and products is available in our new illustrated booklet: **"THIS IS ROSS—READY FOR YOU."**

Write American-Standard, Ross Heat Exchanger Division, Buffalo 5, N. Y. In Canada: American-Standard Products (Canada) Limited, Station D, Toronto, Ont.

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AMERICAN-STANDARD
ROSS HEAT EXCHANGER DIVISION

Neglected area of cost-control-opportunity uncovered by NEW BOOK

Guide to potential 4% profit increase makes Texaco book latest business best seller

Why you need it: The Texaco guide uncovers a new area where management can effect real economies in reduced maintenance costs. This is especially important now that decentralization and generally lower profit margins make the profit-and-loss statement the real measure of each plant unit's management efficiency.

What it will tell you: With facts like these, the Texaco guide shows that organized lubrication can raise production, extend parts life, and cut downtime:



★ A metalworking manufacturer saved 315 man-hours per month through more efficient lubrication.

★ A major corporation anticipates substantial maintenance savings through the services of a lubrication engineer.

- THE TEXAS COMPANY
- Dept. B-70
- 135 East 42nd Street
- New York 17, N. Y.
- Please send me *Management Practices that Control Costs via Organized Lubrication*.
- Name _____
- Title _____



★ A mill has increased bearing life from 16 to 72 shifts by instituting systematic lubrication that insures the right lubricant for each machine.

• **How it will help you:** Only organized lubrication gives management such an opportunity for savings. For example, a 10% reduction in maintenance costs through better lubrication methods will increase profits up to 4% in the average plant — more than equivalent to a 4% increase in sales. And Texaco's new guide shows how it may be done.

• **How to get your copy:** Simply fill in the coupon, attach it to your letterhead, and mail it to The Texas Company, 135 East 42nd Street, New York 17, N. Y.

BUSINESS OUTLOOK

BUSINESS WEEK
NOV. 8, 1958



Consumers have the money to keep the recovery moving briskly.

Some observers still seem doubtful about this (page 34). Others, while accepting it as a fact, wonder if the money will be spent—and on what.

Here's the best bet: As job security strengthens and income prospects brighten, less saving and more spending is in the cards.

Two approaches are available to the savings figures: (1) national income estimates (which include debt repayment as money saved) and (2) growth of liquid assets. Both show pretty much the same trend.

- **Income figures** indicate that people were socking away 7% of the money left over after taxes in the third quarter (BW—Oct. 25'58, p20).

- **Liquid saving** (without including the stock market) apparently rose by more than \$18-billion in the last 12 months; that would be \$4-billion higher than the increase posted either in 1956 or 1957.

Consider the \$4-billion rise in liquid savings in the light of recent purchases of autos and other hardgoods. People were spending at an estimated \$36½-billion annual rate on durables in the third quarter.

Such spending was down almost exactly \$4-billion in a year.

Debt repayment becomes an important form of "saving" when you weigh the sales outlook for cars. Installment debt on cars (new and used) has been reduced by more than \$1.1-billion in a year.

Many observers will say, "It's about time." Yet, with incomes rising, consumers have certainly improved their ability to borrow and buy.

Monthly installment payments, it is quite true, continue to take a huge bite out of paychecks.

Yet there is another fact to remember: After rising steadily, in good years and bad, time payments have been on a plateau for a year. These monthly repayments have held right around \$3.4-billion.

That's 13% of consumers' after-tax income today; the ratio was 13.7% at the lower rate of disposable income at the start of this year.

Installment payments running nearly \$40-billion a year—or 13% of all the income people have at their disposal after taxes—are obviously high. The ratio, prior to mid-1956, had never been up to 13%.

For the foreseeable future, though, rising income will be working to reduce the ratio—until and unless time purchases turn up sharply.

— • —

Sales of durable goods are likely to get help (without really seeking or earning the assist) from the food side of the market.

This winter, fresh fruits and vegetables will be much less costly than last unless there is a repetition of widespread frosts in the southern producing areas. And meats already are down seasonally.

Food simply will be claiming a small slice of the consumer dollar.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

NOV. 8, 1958

Fear of inflation may, of course, disrupt what could be considered the expectable patterns of consumer spending. There might be an expanding rush to hedge, either in the stock market or in real estate.

That, however, isn't too plausible a theory. Most consumers don't know enough about inflation to cut expenditures now in order to hedge the future. Moreover, the provident investor knows that even the most intelligent hedging is something less than 100% effective, taxes considered.

Besides, there's always the natural urge to buy big-tag items before prices go any higher to thwart the save-and-hedge strategy.

—•—

Prospects for consumer income are strengthened by the progressive improvement in employment.

October's rise of about 700,000 in the number of jobs was considerably better than can normally be expected for that month. Moreover, the lag from a year ago—2-million in July—has been cut to 700,000.

Unemployment showed a sizable reduction in October, but not so large a one as the 700,000 rise in employment might seem to indicate.

Unemployment dropped only by about half that amount, the difference being accounted for by more people coming into the job market between mid-September and mid-October.

Nevertheless, October's 3.8-million jobless was a 1958 low.

—•—

Inventory figures for September, just coming out now, confirm what everyone knew was happening as recovery gained momentum.

Manufacturers no longer were liquidating stocks. The official figure for all factories held at \$48.9-billion—the first time since mid-1957 that liquidation had not been a depressing factor.

Moreover, the value of manufacturers' shipments has picked up fairly significantly since midsummer, benefiting the inventory-sales ratio.

—•—

Building of apartment houses may have turned downward; it's been the stanchest part of the housing market during most of this year.

Contract awards for such construction fell sharply in October, McGraw-Hill's Engineering News-Record reports. Volume for the month was below a year ago and less than half its rate during the summer.

Either tighter money or slow rentals—or very likely a combination of the two—could be to blame (BW—Oct. 11'58, p20).

Lettings of all heavy construction contracts will bear close watching, as well as those for apartment houses. The trend in the last few weeks seems definitely to be turning for the worse.

However, work already under way goes on setting records.

The value of all construction put in place in October is estimated at more than \$4 $\frac{3}{4}$ -billion by the Depts. of Commerce and Labor. That continues the 3% gain over a year ago that has characterized recent months.

Homebuilding, meanwhile, has pulled up to a 9% gain over 1957.

Contents copyrighted under the general copyright on the Nov. 8, 1958, issue—Business Week, 330 W. 42nd St., New York, N. Y.



William H. Chisholm reveals
how \$4 million project

promotes progress in printing

Papermaking, one of mankind's oldest skills, is about to take another stride forward with *better printability*.

Behind this advance is a story of teamwork and painstaking research in the chemical and papermaking industries.

In the words of William H. Chisholm, president of Oxford Paper Company, "Several years ago we set out to develop a method for making fine coated papers that could utilize to the fullest the potentials of new precision letterpress and offset printing presses.

"Our North Star Coater, a remarkable new development in paper coating, is the result. From it will come coated papers at speeds ranging from 200 to more than 2,000 feet per minute — with a levelness of surface unobtainable with conventional methods.

"It is the most important development in printing papers since the introduction of machine coating. It greatly improves the quality of the printing surface . . . can also eliminate the need for building excessive glare into the finish in order to get printability.

"Our North Star Coater project represents an investment of over \$4 million. Without the results of chemical research by suppliers like Wyandotte, our goal of getting this process in operation this year could not have been reached."

If you're looking for a reliable source for chemical raw materials — backed by helpful technical service and modern research facilities — remember this name: *Wyandotte Chemicals Corporation, Wyandotte, Michigan. Offices in principal cities.*

PHOTO BY BELLG

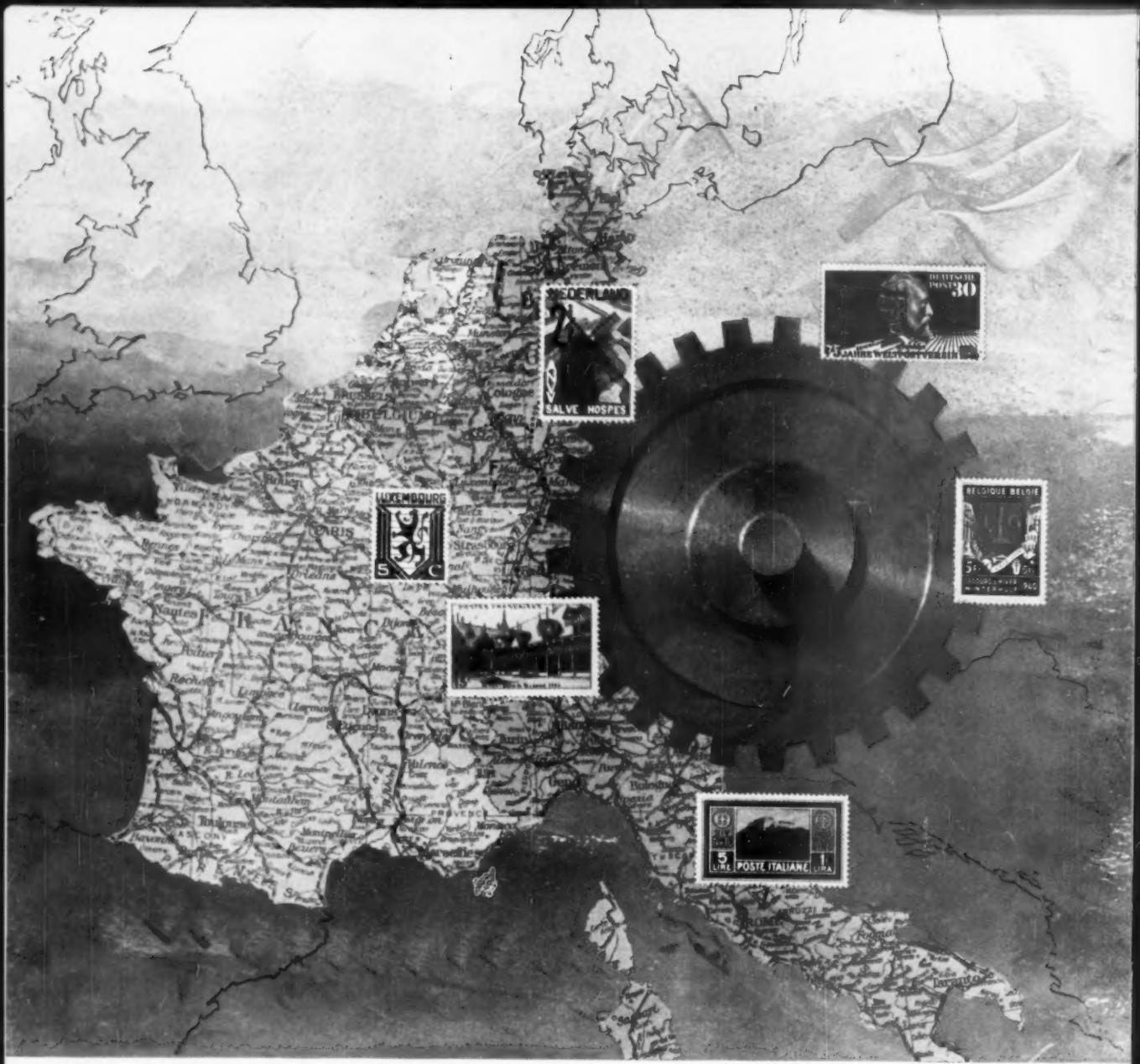
1 William H. Chisholm heads Oxford Paper Co., a leading maker of printing papers for books, magazines, commercial printing, business forms, and packaging. Says Mr. Chisholm, "Our new North Star Coater uses a trailing blade to apply coating to papers. This eliminates the need for excessive supercalendering and is thus able to produce fine printing papers that will be easier on the eyes and have better printability . . . a major milestone in the production of coated papers."

2 Graphic arts group facilities at Oxford boast complete equipment for measuring factors that affect printability in letterpress, offset, and gravure processes. To make coated stocks white and smooth, Oxford often uses PURECAL® — Wyandotte's precipitated calcium carbonate.

3 Oxford papers wind up in everything from cake-mix boxes, salt cartons, soap wrappers to bottle labels, magazines, and books. Wyandotte products, too, are at work in practically every industry, from paper, glass, and rubber to petroleum, cosmetics and foods.

4 Technical help from Wyandotte may take the form of a conference, an assist from our research laboratory, or data on new uses for established chemicals; often can spark new ideas, save duplication of research. When you have a chemical problem, call on Wyandotte.





Collage by Walter Murch. Map section copyrighted by Geographia Map Co., Inc., N. Y.

Things are different overseas today. The European Common Market, which got under way last January, will bring far-reaching changes to an area which is the world's leading trader. Are you interested in the new opportunities that will be created? Then get all the facts from the man who can do more for you overseas, your First National City banker.



28-page booklet free. Write FNCB, Dept. 2C, 55 Wall St., N.Y., N.Y.

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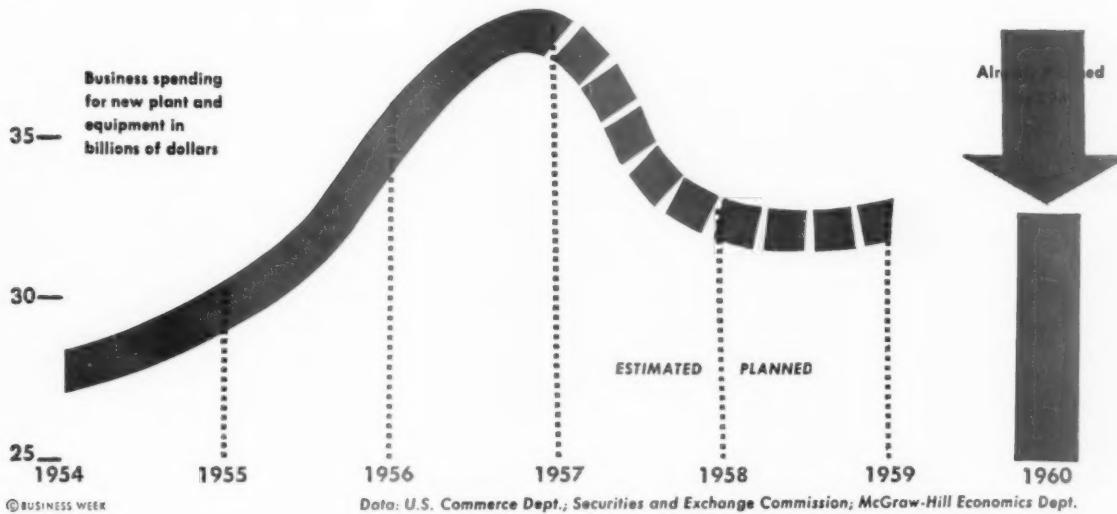
Personalized Attention to collections, transfers, letters of credit, foreign exchange problems.

On Call at Head Office, or thru any FNCB Branch or correspondent, are 75 officers, with nearly 1,000 years service overseas, and a staff of 1,200, handling 47,000 overseas items daily.

First in World Wide Banking

Capital Spending

40—



Out of the Dip—and Heading Up

Better business, better profits, and rising economic optimism are putting fresh life into business' plans for capital spending. Industry's preliminary budgets for new plant and equipment next year show a small gain—only one-half of 1%—over 1958. But there's a strong chance that companies in many industries will revise upward these preliminary plans when they complete their final 1959 capital spending budgets.

That's the most important finding of McGraw-Hill's latest survey of business' preliminary plans for capital spending.

The survey, conducted in October, also looked toward capital spending plans for 1960. It found that budgets for new plant and equipment are figured, at present, to be about the same as for 1959. But again, there's every chance that these budgets will be increased.

• **Precedent for Gains**—The recent past makes that probability even stronger. In the fall of 1954, when the nation was swinging out of the 1953-54

recession, business had preliminary plans to spend 5% less in 1955 than in 1954. But by the next spring, profits and optimism were up all around; budgets then called for business to put 5% more into capital spending than in 1954. And by the end of 1955, when the actual totals were in, it turned out that industry put 7% more into capital spending in 1955 than in 1954.

McGraw-Hill's new survey doesn't indicate any early return to last year's spending peak of \$38.4-billion. There would have to be large increases in spending plans for 1959 and 1960 before budgets could again reach that level—for it's estimated that this year's capital spending will total some 15% less than last year's. A quick repetition of the 1956 and 1957 upward sweep in investment in new plant and equipment doesn't seem likely, from business' preliminary plans, anyway.

• **Sales Ahead**—Even in October, when they were being questioned for McGraw-Hill's survey, manufacturers were optimistic about sales in 1959. Sales

increases had begun showing up then as the country started swinging out of the recession. Steelmakers, coming out of their bad first half, expect a 26% gain in sales in 1959. Auto makers look for a 20% gain.

On the average, manufacturers anticipate that their sales next year will be 9% higher than this year, in physical volume.

The dollar gain will, of course, be greater if manufacturers increase prices. But though most of them are tempted to do this, they're being cautious because they don't think the market is yet strong enough (BW—Nov. 1 '58, p23).

• **Modernizing**—Of the \$33-billion that industry plans, at this stage, to put into new plant and equipment during 1959, a growing amount will go for replacement rather than expansion. The McGraw-Hill capital spending survey made last spring showed that industry was shifting the emphasis away from expansion and toward modernization, and now the trend is stronger (BW—Sep. 27 '58, p74).

This shift of emphasis makes it even

more likely that, as profits and cash flows improve in industry, capital spending budgets will also be increased. Business is far more likely to add to budgets next year if its purpose is to replace and modernize than if it is thinking only about expansion.

I. Worst Is Not So Bad

Probably the worst news contained in the survey is that only about half the major manufacturing industries have preliminary plans to spend more next year than in 1958 on new plant and equipment. As a whole, the manufacturing sector of the economy plans to put some 3% less into capital spending next year than this.

But this dip is far less than that registered from 1957 to 1958, when manufacturers cut their spending by 27%.

- Idle Plant**—There's still a lot of spare capacity in manufacturing plants. McGraw-Hill's Economic Dept. conducted a survey in August that confirmed what its index of Manufacturing Capacity already indicated: Manufacturing capacity is now about 50% greater than in 1950. And it estimates that in September, manufacturing companies were operating at an average of less than 80% of capacity.

The largest capital spending cuts are planned, as you would expect, in industries where spare capacity is greatest. The nonferrous metals industry, for instance, plans a 22% reduction in spending next year, and iron and steel and transportation equipment manufacturers plan 13% cuts. These budget chops follow spending reductions of as much as 48% between 1957 and 1958.

In machinery, electrical machinery, and other metalworking fields—the industries in which the recession's effects were most severe—businessmen are planning to spend about the same next year as this on new plant and equipment.

Cuts are also planned by most of the process industries. Chemical companies are budgeting, at this preliminary stage, 8% less for their capital spending. There's overcapacity in much of the industry. Paper and pulp manufacturers, who were overexpanded heavily last year and this year, plan a 6% drop in their capital spending next year. Their sales are beginning to catch up with their capacity, but the gap hasn't closed yet. Petroleum refiners are in much the same situation; they're planning a 3% cut in capital spending in 1959.

The biggest bounce back from this year's low level of capital spending will come in the rubber industry. Producers

RISE in NONMANUFACTURING spending ...

(Millions of Dollars)	1957 ACTUAL	1958 ESTIMATED	1959 PLANNED	1958-59 PERCENT CHANGE
Petroleum Industry	\$5,797	\$5,158	\$5,442	+ 6%
Production	4,025	3,703	4,073	+10
Transportation	423	389	354	-9
Refining*	853	606	588	-3
Marketing	426	405	369	-9
Other	70	55	58	+5
Mining	450	425	376	-12
Coal	213	153	132	-14
Iron Ore	73	50	64	+27
Nonferrous	112	157	121	-23
Nonmetallic	52	65	59	-9
Railroads	1,396	751	774	+ 3
Other Transportation & Communications	4,604	4,141	4,275	+ 3
Electric & Gas Utilities	6,197	6,280	6,103	-3
Commercial	7,199	6,694	6,962	+ 4
NONMANUFACTURING .	24,790	22,843	23,344	+ 2

* Petroleum refining, included under both manufacturing and petroleum industry, is counted only once—in the manufacturing total.

there are budgeting a 20% increase in outlays for new plant and equipment in 1959. This is a quick turn-around, for they slashed their spending by one-third from 1957 to 1958.

Auto manufacturers, after hectic cuts in their capital spending budgets for 1958 (39% below 1957) are planning to increase their outlays cautiously next year, pushing them up 4%. And that increase could receive added impetus from better sales of the 1959 models.

II. Industries That Gain

The added optimism that's in the air now may mean a larger gain in the capital spending budgets of the non-manufacturing sector of the economy. Already, companies in this sector plan to spend, as a group, some 2% more next year than this year. This increase offsets, in dollar estimates, the small dip that shows up in manufacturers' preliminary plans.

The biggest part of the gain in non-manufacturing's budgets comes from the petroleum industry. Though refiners are planning a small reduction in their spending, the industry's production arm—oil well drilling—is set for a 10% increase in spending next year. In part, this represents the constantly increasing cost of oil exploration and drilling as the rigs reach down deeper each year. But part of the increase does

represent more production, prompted by restrictions on imports of foreign-produced crude oil.

- Dip for Utilities**—Utility companies, as a whole, are planning now on 3% drop in their new plant and equipment budgets next year. This would be their first reduction in spending in years. Even this year when every other industry chopped back its capital spending, the utilities went right ahead with a planned increase in theirs.

But even here there's a chance that spending in 1959 will be increased when the final budgets are completed. A good part of the reason is that gas pipeline companies are delaying many expansion and modernization projects while they await a final ruling from the Supreme Court in the so-called Memphis case (BW-Mar.29'58,p52).

The high court will rule soon on the question of whether gas pipeline operators must get approval from their customers as well as from the Federal Power Commission before they increase rates. If the decision is favorable to the industry, pipeline companies are pretty sure to increase their spending.

- Less for Mines**—The cutbacks that started this year in most sectors of the mining industry will continue next year. Even with restrictions now in effect against foreign imports, the nonferrous mining companies are planning more reductions in their spending, and the only sector of the industry that's pre-

...will offset a DIP in MANUFACTURING

(Millions of Dollars)	1957 ACTUAL	1958 ESTIMATED	1959 PLANNED	1958-59 PERCENT CHANGE
Iron & Steel	\$1,844	\$1,199	\$1,043	-13%
Nonferrous Metals	980	510	398	-22
Machinery	1,275	1,025	1,031	+1
Electrical Machinery	599	517	507	-2
Autos, Trucks & Parts	1,058	646	672	+4
 Transportation Equip.				
(aircraft, ships, RR equip.)	544	408	355	-13
Other Metalworking	942	727	737	+1
Chemicals	1,724	1,400	1,288	-8
Paper & Pulp	811	602	566	-6
Rubber	200	136	163	+20
 Stone, Clay & Glass	572	404	447	+11
Petroleum Refining	853	606	588	-3
Food & Beverages	850	737	813	+10
Textiles	408	264	229	-13
Misc. Manufacturing	987	828	841	+2
 ALL MANUFACTURING ..	13,647	10,009	9,678	-3

Data: U.S. Commerce Dept., SEC, McGraw-Hill Economics Dept.

paring to spend more in 1959 is iron ore mining.

• **Boost From Jets**—The kind of spending that pushes the nonmanufacturing total up is the airlines' huge step in modernization. Air transportation outlays for new equipment will be up sharply this year as the new jet airliners are delivered. In 1959 and 1960 it's estimated that U.S. airlines will spend \$750-million a year for their new jet planes (page 31).

III. Glance Ahead

Looking more than a full year ahead, to 1960, business seems to be planning spending budgets about equal to next year's. These more distant plans are a lot less sure than those for 1959, and are even more likely to be increased than next year's.

But already manufacturers' plans for 1960 capital spending are very close to those for 1959. And in the nonmanufacturing sector, 1960's plans are ahead of 1959's.

So now it seems sure that the trend of capital spending has steadied and has started heading up again.

Commercial businesses—stores, banks, insurance companies—have plans for a 4% increase in capital spending next year. The gain could well wind up a good deal higher if 1959 turns out to be a year of heavy replacement of business cars and trucks.

But business spending may climb faster—to meet these GAINS IN SALES that manufacturers anticipate . . .

	PERCENT INCREASE IN SALES EXPECTED (Physical Volume) 1958-59
Iron & Steel	26%
Nonferrous Metals	5
Machinery	8
Electrical Machinery	5
Autos, Trucks & Parts	20
 Transportation Equip.	2
(aircraft, ships, RR equip.)	4
Other Metalworking	4
Chemicals	10
Paper & Pulp	7
Rubber	11
 Stone, Clay & Glass	11
Petroleum Refining	4
Food & Beverages	5
Textiles	8
Misc. Manufacturing	8
 ALL MANUFACTURING ..	9

Anti-Strike Pact

Six airlines sign mutual aid plan to cut revenue losses when a member carrier is hit by "unlawful" strike.

For years, employers who deal with strong, strategically placed unions have sought ways of combating "whipsaw" bargaining tactics. Through these, a union can put an employer under intense pressure to settle by a strike or strike threat while it lets competitive companies operate free of negotiating problems for the moment.

Last weekend, with Capital Airlines struck, major airlines moved to ease the labor pressure on the carrier—and, at the same time, to reinforce their first-line defense against contract demands that could become a problem for the whole air transport industry.

Six airlines formally agreed that nobody will profit from increased business if a strike shuts down the operations of one or more of their number.

• **One-Year Pact**—The airlines signed and submitted to the Civil Aeronautics Board early this week a one-year mutual assistance agreement intended, they announced, to "counteract the effects of excessive labor demands."

Under its terms, aid will be given to any airline "grounded by any labor action which is inconsistent with recommendations of an emergency board established by the President . . . or which fails to exhaust the procedure of the Railway Labor Act or is otherwise unlawful." Under the procedures of the Railway Labor Act, a Presidential emergency board is the last resort in bargaining disputes.

If a strike occurs under these conditions, the airlines continuing to operate agree to "evaluate" any increased business and to turn over to the struck line "the income derived from [diverted] traffic, less appropriate reductions" for increased operating costs.

The agreement is retroactive to Oct. 20. This means that strikebound Capital will recoup part of its losses back to that date. In this case, the striking union, the International Assn. of Machinists, turned down the emergency board's recommendations.

In addition to Capital, the agreement covers American Airlines, Eastern Air Lines, Pan American World Airways, Trans World Airlines, and United Air Lines. Other scheduled airlines have been invited to participate.

• **Legality Questioned**—Both IAM and the Air Line Pilots' Assn. question the legality of the airlines' mutual assistance pact. The two unions plan to petition CAB to reject it.

OLD HANDS To the veteran Republican lawmakers at right falls the chore of defending the Eisenhower Administration during its last two years against a hostile Congress—with Democrats more firmly than ever in control of both houses.

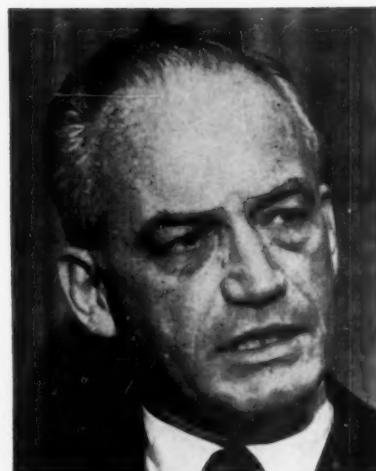


SEN. LEVERETT SALTONSTALL

SEN. EVERETT M. DIRKSEN



LEADERSHIP The two men above may figure in a switch in Republican leadership in Senate. Conservative Dirksen loses his edge to Saltonstall, a Republican liberal, because of the defeats suffered by most old-guard GOP candidates.



SEN. BARRY GOLDWATER of Arizona, one of few conservative Republicans to survive, will replace liberal GOP Sen. Ives as No. 1 minority member of Senate Labor Committee. He campaigned on labor issues.



REP. CARROLL D. KEARNS of Pennsylvania becomes ranking Republican on House Labor Committee. A member of Musicians Union himself, he is much more of a moderate on labor than Sen. Goldwater.

How Democratic Tide

There is little fuzziness in the meaning of this week's election. It turned mainly on business issues.

Politicians of both parties, appraising the cold statistics of Tuesday's nationwide voting, generally agree that these were the basic factors in the sweep that restored the Democratic Party to its greatest Congressional power since early New Deal days:

Recession. Despite the Eisenhower Administration's claim that it has dealt satisfactorily with the 1957-58 business recession, and the fact that the economy is on the upgrade, voters across the country turned against Republican candidates in heavy numbers. In several pivotal states—West Virginia, Indiana, Michigan, and Connecticut, for example—lingering pockets of high unemployment and aftereffects of the business slump helped Democratic politicians substantially.

Farm uncertainty. The election produced heavy Democratic gains in the agricultural Midwest, once the Republicans' favorite political battleground. Widespread resentment at the farm policies of Agriculture Secy. Ezra T. Benson was quite apparent. Fanned by knowledge that farm prices are almost certain to tumble in the coming year, this tilted many close races to the Democratic advantage.

Labor union activity. This election demonstrated organized labor's standing as a potent political force. Fearing punitive reform legislation in the coming Congress, organized labor spent heavily and worked tirelessly to elect friendly (and almost universally Democratic) candidates. In 1958, the labor effort was redoubled in some key states—

principally Ohio and California—where right-to-work issues also were injected into the campaign (page 30).

The issue proved to be a boomerang for Republicans. It produced an irreparable party split in California, cost Sen. John W. Bricker his job in Ohio and gave that state a Democratic legislature perhaps labor dominated. Though the right-to-work referendum won in Kansas, labor helped Democrats to hold the state house there.

• **Move to the Left**—Added up, the results show a definite political shift toward the left. Therefore, the 86th Congress, which convenes the first week in January, will be weighted heavily on the liberal side of economic, political, and social issues (page 39).

This heightens the prospect for open political warfare between Pres. Eisenhower and Congress. The President will try to move his Administration in its declining years toward the conservative right; Congress will lean hard toward more federal powers, bigger spending for such things as education, housing, unemployment benefits, and public works.

• **48-Million Voters**—As recently as a week ago, professional politicians on both sides feared voter apathy. They were dead wrong. The turnout—final figures probably will show it to be upwards of 48-million—was a record for a non-Presidential year.

The 48-million accomplished much. They displayed disdain for political bossism, demonstrated a penchant for independence (via ticket splitting) that worries professionals in both parties, sank two big Presidential hopefuls (Sen. William F. Knowland in Califor-



SEN. JOHN J. WILLIAMS of Delaware moves up as No. 1 GOP man on the Senate Finance Committee. He's for tough tax policy on oil depletion and expense accounts; he gets along well with Chmn. Harry Byrd.



REP. JAMES C. AUCHINCLOSS of New Jersey will be the Republican's most senior member of the House Public Works Committee, to which he has belonged for years. Next Congress will be his ninth term.



SEN. FRANCIS CASE of South Dakota replaces retiring Sen. Martin of Pennsylvania as No. 1 from GOP on Senate Public Works Committee. Because of interest in reclamation, he will be stronger for federal spending.

Will Remake Congress

mia, Gov. Averell Harriman in New York), and buoyed up the spirits of several others. At the same time, they appeared to have approved all but a fraction of the \$2.2-billion in state and local bond issues up for decision.

• **Up and Down**—As a new 1960 candidate, one man—Nelson A. Rockefeller of New York—emerges head and shoulders above the rest (page 29).

Rockefeller is of the liberal Republican wing, the GOP element that had the most success on Tuesday. Republicans Kenneth Keating in New York and Hugh Scott in Pennsylvania, both sympathetic to liberal Republicanism, also bucked the Democratic national tide to win Senate seats.

But of the arch-conservative GOP group, only Sen. Barry Goldwater in Arizona came through to victory. Among the conservative Republican casualties: Knowland in his bid for California's governorship and Sens. Bricker of Ohio, George Malone of Nevada, Frank A. Barrett of Wyoming, and Edward J. Thye of Minnesota, all seeking reelection.

Vice-Pres. Richard M. Nixon is still the GOP favorite for 1960. He was hurt on Tuesday—how much only time will tell. Certainly, the heaviest Republican losses were in the Midwest where Nixon campaigned hard and where his popularity is high. The California debacle did him no good to say the least. To offset Rockefeller's potential, Nixon probably now will campaign openly for the nomination and will give special attention to the East, particularly among minority groups.

On the Democratic side, the results looked especially meaningful to several

Democratic contenders: Sen. John F. Kennedy, who won reelection in Massachusetts by about 900,000 votes; Sen. Hubert Humphrey of Minnesota and Gov. Robert Meyner of New Jersey, whose protégés won Senate seats from Republicans; Gov. G. Mennen Williams in Michigan, who swept to an unprecedented sixth term and carried another GOP Senate seat with him; and, finally, Adlai E. Stevenson.

Early analyses suggested an upset in voting patterns of the prosperous, middle-income areas. In California and Ohio, it showed up in right-to-work balloting. Middle-class sectors seem to have sided rather heavily with labor in the successful campaign to defeat the right-to-work proposals.

• **Threatened Coalition**—Pres. Eisenhower stood before a post-election news conference at midweek and vowed to keep up his attack on big-spending Democrats—on whom he had pinned a “radical” label in his campaign oratory.

But the fact is that the very kind of Democrat the Administration professes to fear most will be more powerful in the coming Congress than for 20 years. By sheer numbers, a threat is now posed to the coalition of Southern Democrats

The victors at right are **NEW FACES** typical of newcomers who will sit on both sides of Senate. Democratic winners to watch in addition to Young are: Engle (Calif.), McCarthy (Minn.), Proxmire (Wis.), Hartke (Ind.), Hart (Mich.). New liberal Republicans Scott and Keating will reinforce: Javits (N.Y.), Case (N.J.), Allott (Colo.), Norton and Cooper (Ky.), Smith (Me.), Kuchel (Calif.).



SEN-ELECT HUGH SCOTT



SEN-ELECT STEPHEN M. YOUNG

and conservative Republicans that has been exercising effective Congressional control.

This coalition probably will dominate on most issues. But the coalition cannot continue in power unless the present upward trend in the U.S. economy continues, too. Any onset of a fresh business recession, for example, would bring about irresistible Congressional pressures for quick tax-cutting and big-scale public works.

In the new House, Democrats from outside the South will almost be in the majority, because of big gains in the Midwest and East. In the Senate, the coalition probably would lose by as

much as 10 votes on any issue pitting liberals directly against conservatives.

• **Test Soon**—The GOP-Southern Democrat coalition will get an early test. The first battle of the new session will revolve about an attempt to amend Senate rules, so as to shut off filibusters. Southern senators are speaking in conciliatory tones about having to accept some softening of the rule.

Some Northern Democrats suggest the possibility of "isolating" Southerners in the 86th Congress. In fact, however, that is not likely to follow. In the first place, Southerners have a firm grip on chairmanships of most of the vital

Congressional committees. In the second place, the newly strong Democrats from North, East, and West are not numerically strong enough to overthrow their Southern leadership; they will have to settle, for the interim, for more voice in shaping Democratic strategy.

With 1960, a Presidential year, so close at hand, the Democrats will lay heavy stress on responsibility and respectability. The new Congress will give Eisenhower the roughest times of his Presidency, forcing through much legislation unpalatable to the White House. But on balance there will be more "wild talk" than "wild action."

What the Election Did to 1960 Democratic Hopefuls



SEN. JOHN KENNEDY of Massachusetts ran far ahead of his GOP opponent to maintain his position as one of the leading Presidential aspirants on Democratic side.



SEN. STUART SYMINGTON of Missouri built up a lead big enough to keep his name in the Democratic race, but he's still considered only a "compromise" possibility.



SEN. HUBERT HUMPHREY of Minnesota wasn't on the ballot. But Humphrey-backed Democrats—including Eugene McCarthy, a Catholic—swept the state.



GOV. G. MENNEN WILLIAMS of Michigan is stronger than ever after winning his sixth term. His candidate, Lt. Gov. Hart, defeated incumbent Sen. Potter.



GOV. ROBERT B. MEYNER of New Jersey proved his vote-getting ability. He staked his 1960 ambitions on Harrison Williams for the Senate—and won in upset.



ADLAI STEVENSON is still in the running, is getting a boost in California. But, strong showing of Democratic winners gives him real competition.

New Star in Republican Sky

The smashing triumph of Nelson A. Rockefeller in his race for the New York governorship put leaders of both parties to work reappraising their ideas of how to win the Presidency in 1960.

In the face of a landslide for Democrats across the country, Rockefeller carried almost a full statewide slate of Republicans into office. It was his first effort in politics.

• **Potent**—To Democrats, Rockefeller becomes a formidable new opponent of a type they fear the most—one who cuts deeply into normal Democratic strength in cities. Rockefeller based his campaign on a conviction that he would have to attract a third of the Democratic and Liberal Party strength in New York City. It was in the cities that he scored his greatest inroads into the strength of his opponent, long-time Democratic leader Gov. Averell Harriman.

To Republicans, Rockefeller shines as a fresh and powerful campaigner with a great natural talent for politics—a new star of first magnitude. A vigorous 50, he is young enough to serve out his full four-year term in Albany and still be a major Presidential possibility in 1964 or even 1968.

For that matter, if the political tides should set in strongly against Vice-Pres. Richard M. Nixon in the next two years, Rockefeller would certainly rate as a top alternate choice in 1960.

• **Different Tack**—Nixon is still the front runner for the nomination, and Rockefeller brushes aside questions about the Presidency with a short, "Not interested." But Nixon's role as heir apparent to Eisenhower is a difficult one, and risky. He set the tone of the Republican campaign nationally, for example, with attacks on Democrats as radicals and reckless spenders. It failed, and Nixon now must recoup.

In New York Rockefeller took the opposite tack.

He did not criticize Democrats in general, only Harriman. He soft-pedaled his own party affiliation. He managed to avoid appearing in public with Nixon when the Vice-President visited New York City on a campaign swing. He prevailed on Eisenhower to soften anti-Democratic allusions when the President visited the state.

• **End of a Legend**—Rockefeller's triumph puts an end to a curious bit of political folklore: that a man of great wealth can run for office and win only in the Democratic party. Rockefeller was reminded of this before he made up his mind to seek the nomination. Some Upstate Republican leaders advised him to change parties if he wanted

to make a serious effort in politics. The theory has always been that the Democrats can afford an occasional millionaire candidate—such as Harriman, heir to the \$100-million Union Pacific fortune—but the Republicans cannot because they are already labeled as the party of big business.

Rockefeller exploded this idea.

Indeed, his name proved to be a prime asset, in the opinion of New York observers. It created interest and drew crowds, which then fell under the spell of Rockefeller's unexpected talent as a campaigner. Harriman went through the motions, accusing Rockefeller of being only a front for reaction, but in vain.

• **Model for GOP**—Rockefeller's campaign will be examined as a model of how a Republican can win against a Democratic tide.

The odds against him were formidable. Surveys taken at the beginning of the campaign showed Harriman had a comfortable edge. Betting odds were 3-to-1 on Harriman.

Rockefeller's problem in New York State was much the same that confronts Republicans nationally. Democrats and Liberal Party members far outnumber GOP registrations, particularly in New York City and—in increasing numbers—in Upstate cities. To win, Rockefeller had to hold the hard core of Republican strength in rural areas, and at the same time cut deeply into Harriman's city strength. If he affronted the traditional Republicans, he was beaten. If he failed to attract Democrats and Liberal Party members in the cities, he was beaten.

• **Triple Threat**—He cut through the dilemma with three weapons:

• He is a political natural as a campaigner. Delighted backers compare him with Eisenhower in this respect, and with the late Wendell Willkie. Without a coat, often tieless, hair rumpled, he ate cheese blintzes in New York's Jewish districts, delivered speeches in Spanish in Puerto Rican neighborhoods, drank beer at Upstate county fairs. His powerful face splits swiftly in a grin, and he has the direct glance of the born vote-getter. "He's stealing our women," moaned one Democratic leader during the campaign. He fences amiably and skillfully with reporters.

• He works closely with experienced Republican professionals, who know the pitfalls of New York politics first hand. State Chairman L. Judson Morhouse, an Upstater, threw in with Rockefeller early, when a field of four potential candidates was still jockeying for advantage. Young Malcolm Wilson



NELSON ROCKEFELLER combined natural campaigning talent with stress on issues to win New York State from Democrats.

of suburban Westchester County, a stronghold of orthodox Republicanism, also backed Rockefeller. Wilson, a veteran of the state legislature, was on the ticket with Rockefeller as candidate for lieutenant governor. Mothouse and Wilson paved the way for Rockefeller in the Upstate counties, particularly among county leaders, many of whom originally regarded his candidacy with suspicion.

- Rockefeller stressed state issues exclusively, forcing Harriman to fight on Rockefeller's terms. Harriman wanted to debate the shortcomings of the Eisenhower Administration on national and international issues. Rockefeller bore down on the need for continued rent control, additional health insurance for workers, financial aid for middle-class housing, and the necessity of attracting new industries to the state as a cure for unemployment.

- Luck, Too—Every beginning politician needs luck, and Rockefeller had considerable.

For one thing, he ran against another millionaire, so Democrats could not stress the "special interests" line effectively. And Harriman, despite four years in the governor's mansion and almost constant efforts among voters, never developed the natural outgoing charm that is Rockefeller's by nature.

Carmine De Sario, Tammany leader, presented Rockefeller with a powerful advantage when he refused to take Harriman's advice on a Democratic candidate for U.S. senator. De Sario forced his own choice—Frank S. Hogan—on the convention, handing Rockefeller the issue of bossism to add to the others.

- Why He Ran—Within the tightly knit Rockefeller clan, Nelson has long been known as the family's best salesman and its foremost public servant. He served under Pres. Franklin D. Roosevelt as a specialist in Latin American affairs, under Pres. Harry S. Truman in the Point Four program, and filled several positions under Pres. Eisenhower, including the post of Under Secretary of Health, Education & Welfare.

One of Rockefeller's jobs under Eisenhower was special adviser on psychological warfare. Friends say that early in 1955 he learned of the Russian stress on development of an earth satellite, realized its potential propaganda advantage, and vainly urged the Administration to give top priority to the U.S. satellite program. He lost in a dispute with other Eisenhower advisers.

"It was the final frustration for Nelson as an appointive public official," one associate puts it. "He left the Administration, determined to run for office because it's the elected officials who make the key decisions."

		Sales and use tax rate changes effective January 1, 1958. Income tax rate changes effective after December 31, 1957.		NO		N th e H O S
18	EMPLOYER-EMPLOYEE RELATIONS. Initiative Constitutional Amendment. Adds Section 1-A to Article I, State Constitution. Prohibits employers and employee organizations from entering into collective bargaining or other agreements which establish membership in a labor organization, or payment of dues or charges of any kind thereto, as a condition of employment or continued employment. Declares unlawful certain practices relating to membership in labor organizations. Provides for injunction and damage suits against any person or group for violation or attempted violation. Preserves existing lawful contracts but applies to renewals or extensions thereof. Declares that section is self-executing. Defines "labor organization."	YES				
		NO				

CALIFORNIA defeated this right-to-work proposal; four others also lost, one carried.

Labor Shows Its Strength

Proponents of tighter curbs on unionism can find little to encourage them in this week's election. Labor's political muscle was evident in many key contests—particularly, in resounding setbacks for right-to-work proposals in five of the six states in which they appeared on referendum ballots.

Only in one state, Kansas, did voters approve a right-to-work law—a ban on the union shop and other forms of compulsory unionism.

Voters in Ohio and California, key industrial states, and in Washington, Colorado, and Idaho rejected restrictive legislation.

- **National Repercussions—**In Ohio and California particularly, labor's strong campaigning against right-to-work proposals—and against those advocating curbs on the union shop—contributed to sweeping Democratic victories.

The long-term result of the mass rejection of right-to-work proposals, and the Democratic victory, will probably be a drive in the next Congress to remove from the Taft-Hartley Act its provisions allowing states to bar the union shop—even though it is legal under federal law. If this succeeds, all right-to-work laws will be voided.

Many Republican leaders, nationally as well as in the states, did not want the right-to-work issue on the ballots this year. They foresaw that the highly controversial question would hurt the party in a year when it was already overburdened with troublesome issues.

- **Ohio Vote—**Strongly backed by business interests, bitterly opposed by unions, the proposal to ban compulsory unionism brought out a heavy vote in Ohio. The turnout gave a major assist to the Democratic candidates, and certainly can be credited with the defeat of Sen. John W. Bricker.

At midweek, with returns almost complete, the vote was running a surprising 2-to-1 against a union shop ban.

The union's greatest worry about this year's right-to-work campaign had been over the possibility of a setback in Ohio—one of the country's most industrialized states and one with a heavy concentration of union members. Up to now, only one industrial state, Indiana, has barred the union shop.

Both advocates and opponents of the right-to-work proposal concentrated their greatest effort in Ohio. It now seems certain that the complete Ohio returns will show: (1) The right-to-work issue failed to pick up expected support in the rural areas, and (2) it got an unexpectedly large rejection among middle-of-the-road voters.

- **In the West—**In California, the right-to-work proposal crossed party lines, split the Republican candidates, and left this year's political campaign in confusion. Labor had expected a victory, as wrangling spread in the GOP, but it didn't relax its political efforts. The results were similar to those in Ohio. There was a heavy vote. The middle-of-the-road vote bolstered the Democratic, pro-labor balloting to defeat the right-to-work proposal by a surprising margin.

Washington, where unions are strong, not unexpectedly voted down a proposed curb on the union shop. In Colorado and Idaho, considered doubtful by union political strategists, intensive labor campaigning paid off with victories.

- **Kansas—**But labor's efforts weren't enough to halt a right-to-work drive in Kansas, even though such key Republicans as Alf M. Landon and Fred Hall, former governors, joined Democratic leaders in opposing the proposal.

Kansas will be the 19th state with a right-to-work law. The others are Alabama, Arizona, Arkansas, Florida, Georgia, Indiana, Iowa, Mississippi, Nebraska, Nevada, North and South Carolina, North and South Dakota, Tennessee, Texas, Utah, and Virginia.

Airlines' Jet Age Problem—the Balance Sheet

Here's what they need by 1962

Aircraft	\$2.2-billion*
Ground Support Equipment .....	.4
Ground Equipment, ground facilities, increased working capital, debt retirement	1.4
	Total \$4.0-billion

Here are the funds available so far

Depreciation	\$1.4-billion
Sale of Equipment .....	.3
Available from Earnings ..	.5
Miscellaneous, e.g. deferred taxes, writeoffs of integration costs ..	.4
Borrowed .....	.89**
	Total \$3.49-billion**

STILL NEEDED: \$510-MILLION**

*Includes estimates of jet aircraft contemplated being ordered or ordered by 14 trunk lines and international carriers, including Panagra, and deliveries of some piston-engine planes in 1958.

**BUSINESS WEEK Estimates.

Data: Status and Economic Significance of the Airline Equipment Investment Program, by Paul W. Cherington.

Mergers, Equipment Pools May Help Close the Gap

When a man who's up to his eyebrows in debt on his house, his car, and his cuff links proposes to go still further into debt to buy the shiniest new 1959 convertible, banks and other money lenders are inclined to shake their heads.

The nation's airlines are in somewhat this position, but with a significant difference—they say the shiny new vehicle, a fleet of jet planes, will earn them enough money to pay off their debts, new and old. To pay for their jets (charts), they must either find new ways of financing or else persuade their established sources of funds to loosen the pursestrings still further.

• **Haves and Have Nots**—For Pan American World Airways, a giant of the industry, new financing was easy. Last week, a few days after inaugurating its daily jet service across the Atlantic, Pan Am announced it had arranged a \$130-million line of credit with 39 banks, to pay for the remaining 40 jets it has on order after delivery of four.

For many other airlines, borrowing on such a scale is out of the question. Their problem is still as it was summed up a year or so ago by Pres. C. E. Woolman of Delta Air Lines: "We're buying airplanes that haven't yet been fully developed, with millions of dollars we don't have . . . and we must fill them with more passengers than we have ever carried before."

Operating an airline has become one of the most competitive businesses in the U.S. Working on margins so narrow, the lines have barely kept up with their successive replacements of equipment with newer models. When the jets were announced, every airline of consequence promptly ordered jets, even though they had barely absorbed the cost of DC-7s and Constellations.

Some of these lines had no idea how they would pay for jets, but, as one airline executive says, "If you haven't got jets, you're out of business anyway."

• **Impact of Jets**—Compare the airlines'

spending plans with their capitalization structure, and you find a situation that can work out happily only in a growth industry with the brightest prospects.

Last January, nine of the 12 international and domestic trunk airlines that have jets and turboprops on order reported their capitalization. They also reported their capital requirement needs to 1960—and it was a far higher figure.

Eastern Air Lines, for example, with 60 turboprop and jet aircraft ordered for delivery by 1962, reported total capitalization of \$177.1-million, capital requirements to 1960 alone of \$251-million. National Airlines, with 29 jet and turboprop planes on order at the time, reported total capitalization of \$30.4-million, needs of \$84.1-million between now and 1960.

The new needs must be superimposed on long-term debt that already, last January, made up an average of 41% of the capital structure, for the industry as a whole. The percentage ranged among jet-buying lines from 17.8% for National to 60.7% for Capital.

• **Getting Money Back**—Once they're flying the jets, the airlines are certain that the greater seating capacity, a new buildup of their passenger market, and perhaps a fare increase will produce greater profits and the means of retiring their debt.

Obviously, if the prospects are as good as all that, an attractive way of financing the jet purchases would be to float new stock issues. But in this case it seems that the egg will have to come before the chicken. The equity market is notably apathetic toward air-lines at the moment.

For this apathy, the airlines largely blame the Civil Aeronautics Board, which controls their fares and, indirectly, their earnings. The lines want a general fare increase of 15% to help them with their jet financing. CAB has granted more than half this amount in interim increases this year, but its philosophy seems to be that the lines should cut fares, not increase them, if they want to fill the seats of their new jets.

CAB's attitude, industry spokesmen say, arouses real fear in the financial community that it never intends to let the airlines make the kind of profits that will attract investors.

• **Half-Billion Gap**—As the chart at left shows, the lines have raised a lot of money since they began ordering jets. But they have all but exhausted their normal sources of financing, and they are still more than \$500-million short of their goal.

To bring the footings into balance, they have several alternatives, most of which are being tried these days:

• Airlines can merge, or at least

pool their flying stock. They gain efficiency in use of equipment, and thus have a chance of improving earnings enough to attract equity capital or at least strengthen their bank credit.

- They can acquire their new jets through leasing deals or trade-ins, thereby conserving cash.

- They can cut back their orders for jets and turboprops, some of which may have been unrealistically exuberant.

- They can wheedle still more loans out of their creditors.

- **Pooling Resources**—If mergers come—and an airline executive predicts that, "We'll see a flood of them next year"—they will probably be between lines with complementary routes rather than between competitors. CAB isn't likely to approve any reduction of competition on major routes.

Combining lines with adjacent systems would permit operation with less equipment. For example, Capital Airlines is believed to be talking merger with Continental Air Lines; under merger, one plane instead of two could fly a route across both territories.

Resources can be pooled short of corporate merger. Sometimes two lines share ground facilities; American Airlines, for example, already does much of Continental's engine maintenance.

Schedules can be integrated and revenues pooled, as in the American-Continental-National route between Los Angeles and Miami; a passenger buys one ticket, rides one airplane, but goes over the routes of three lines.

- **Pan Am-National Deal**—A few days ago, CAB approved another kind of deal that's midway between a merger and a pooling of equipment. Despite opposition from Eastern and Northeast Airlines, rivals on the New York-Miami route, it allowed National to lease three Boeing 707 jets from Pan Am, with each line giving the other a block of 400,000 shares of stock.

The lease is for National's seasonal peak of winter resort traffic, which is contracyclical to Pan Am's summer peak of European traffic. Having the use of three 707's in the winter permits National to cancel orders for half its Douglas DC-8 jets, at a saving of \$15-million, minus penalties for cancellation. It also gives National the jump on American, which had planned to fly the first domestic jet service.

CAB is requiring the two lines to put their exchanged stock in trust and to agree that the arrangement can be canceled by CAB if there proves to be any inter-company influence.

- **Leasing Equipment**—Another way to cut down on immediate outlay is to acquire equipment under lease. Such manufacturers as Convair and Lockheed are selling planes to leasing companies that make deals with airlines. A new

company in this field, General Aircraft & Leasing Co., was announced this week to start operations Dec. 1. GALC is headed by retired Brig. Gen. Milton W. Arnold, who resigned as vice-president of the Air Transport Assn.

For jets it is buying from Boeing, Convair, and Lockheed, American Airlines is leasing 441 engines from their manufacturers, payable over a 7-year period, with an option to buy. This deal reduces American's immediate capital needs by \$80-million from \$445-million for the complete jets. The line estimates also that it will save \$13-million in the end by leasing only the engines it uses, leaving the manufacturers to hold the inventory of spares and also to cover all maintenance costs above a specified sum.

- **Trade-in Market**—Over the next five years, airlines face the baffling problem of getting rid of 500 to 600 piston-engined planes, many of them quite modern, as the jets and turboprops take their place. The prospect has smashed the market for used planes, which a few years ago could often be sold higher than their pre-inflation original prices. Today, an early Constellation that originally cost nearly \$2-million is quoted at only \$250,000.

One way to do it is to sell to dealers or directly to other airlines—foreign, cargo, and smaller domestic lines. Last month, American Airlines sold 24 Convairs to Frederick B. Aver Associates. Aver also bought two DC-6Bs this week from Continental. General Aircraft & Leasing also announced purchase of 25 of American's fleet of 30 DC-7s for upward of \$10-million.

Some manufacturers are also accepting trade-ins, reluctantly. United Air Lines, for example, is trading DC-7s on its jet Douglas DC-8s, and Northwest Airlines is reportedly working on a similar deal toward five DC-8s. Reportedly, GALC's purchase of 25 DC-7s is tied to American's purchase of 25 Convair 600s.

Aver says the pressurized Convairs

he bought from American and fitted out as executive planes are meeting little sales resistance at a price of \$385,000.

He also sees a market for DC-7s, refitted with turboprop engines at a cost of \$1.5-million plus \$700,000 for the airframe, as economical equipment for smaller airlines.

- **Slower Changeover**—Another way airlines can ease the impact of their refitting with jets is to slow the changeover. This helps two ways: by spreading the cost of the new planes and by feeding the piston planes more slowly into the used aircraft market.

Airlines regard any slowdown, however, as a last resort. It means falling behind in the jet race. But Delta and National between them have already trimmed off five DC-8s at a saving of \$28-million, two for Delta and three for National.

What happens from here on depends largely on (1) success in getting fare increases and (2) the trend in passenger traffic, which leveled off during the recession. If traffic increases and lines see the means of paying for more jets, they'll buy. But if traffic falters and mergers and leasing deals spread, there will be more cancellations.

- **Patient Creditors**—Meanwhile, the airlines regard the patience of their big creditors, the banks and insurance companies that have lent \$890-million so far, as one of their strongest props. Lenders have been lenient about terms—American Airlines, for example, doesn't have to start paying until 1967 on the \$135-million it borrowed in 1957 from Prudential and Metropolitan Life. And lenders who hold chattel mortgages on jet planes will obviously be more inclined to renegotiate loans than to foreclose—what would they do with jet planes?

Lenders say, though, that their leniency has its limits. "At some point," says an investment banker, "We'll have to start cutting losses by insisting on mergers."

Jet Transports On Order

Ordered by	Turbo-prop				Turbo-jets				Approximate Total Cost
	Vickers Lockheed Electra	Armstrong Viscount	Convair 600	Convair 880	Boeing Model 720	Boeing 707-023	Boeing 707	Douglas DC-8	
American	35	..	25	..	..	25	25	..	\$365,000,000
Brannif	9	..	..	..	..	..	5	..	56,500,000
Capital .....	..	..	..	15	..	..	..	..	60,000,000
Continental ...	..	15	..	..	..	..	4	..	45,852,000
Delta .....	..	..	..	10	..	..	..	6	78,000,000
Eastern	40	..	..	..	..	..	..	20	240,500,000
National	23	..	..	..	..	..	..	3	71,700,000
Northeast .....	..	9	..	..	..	..	..	..	15,000,000
Northwest* .....	..	..	..	..	..	..	..	..	.....
Pan American .....	..	..	..	..	..	..	23	21	267,500,000
TWA .....	..	..	..	30	..	..	33	..	320,000,000
United .....	..	..	..	..	11	..	..	40	275,000,000
Western	9	..	..	..	..	..	..	..	19,500,000
Totals	116	24	25	55	11	25	90	90	\$1,814,052,000

*Northwest reportedly is buying five DC-8's and 10 Electras.

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A MANAGEMENT REPORT

Why Refiners Put Their Money on Sinclair



by T. B. KIMBALL
President

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"The best evaluation of a new refining development is found in what other refiners think of it. By that critical standard, the Sinclair-Baker platinum catalyst is an *outstanding tool for making high octane gasoline*. This reforming catalyst has been evaluated by sharp-pencil refinery engineers and judged by many to be the most efficient. Developed by Sinclair research, with the Baker Division of Engelhard Industries—platinum specialists, the catalyst is now used for more than 22 per cent of all domestic "cat" reforming. A number of foreign refineries also use it. We think this "dollars and cents" testimony by men who know refining best indicates the *high quality of Sinclair's research and processing technology.*"

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In '59, Improvement but No Boom

● Economists at University of Michigan conference almost unanimously predict continued slow gains.

● They don't foresee much price rise or much decline in unemployment; they expect no consumer spree.

● Auto sales are the mystery of the year, they all say. Forecasts range upward from 5.5-million cars.

● Corporate profits are due to bounce up 20% or 25%; the stock and bond markets should remain stable.

Seventy economists attending the University of Michigan's annual Conference on the Economic Outlook were virtually unanimous in predicting that business next year won't boom but will continue to improve.

Total production of goods and services should rise to nearly \$460-billion next year, at present prices, most of the forecasters agreed. This would be 4% or 5% above 1958, and it would mark an all-time high for the economy. But it indicates a moderation of the rate of increase. Total production has jumped from an annual rate of \$425.8-billion in the second quarter to an annual rate of \$450-billion now.

• **Holding Steady**—The economists meeting this week at Ann Arbor, Mich., represent a broad cross-section of industrial corporations, financial institutions, and university research centers. Despite the differences of their background, they were remarkably consistent in their conservative view of the economy.

In the more gradual recovery seen for 1959, prices won't rise much and unemployment will only modestly decline. Most of the experts agreed that consumer prices will go up only 1% or so. They expect unemployment, which amounted to 4.1-million last September, to average 3.7-million in 1959.

Principal factors in the continuing recovery are expected to be increased government spending at all levels, rebuilding of business inventories, and a modest upturn in business spending for new plant and equipment late in 1959. Consumers, whose steady buying did so much to check the recession this year, aren't expected to go on any real spree.

• **Cautious Consumers**—"There are no signs of another boom in consumer buying like that in 1955," says George Katona, head of Michigan's Survey Research Center. National income is higher today than a year ago, but the situation is less cheerful when you take into account the increase in population and the rise in prices. These fac-

tors greatly reduce the family unit's real gain in income, Katona points out.

A family's decision to buy or not to buy durable goods, he says, is influenced by the trend of family income as well as by its current level. According to the Survey Research Center's latest study, about 25% of families this year have rising incomes while a roughly equal number have falling incomes.

The proportion of families whose rise in income encouraged them to buy durables has been lower this year than in most recent years, Katona says, and the proportion of families discouraged by unemployment, shorter work weeks, or lower profits has been higher.

Katona reported that a new Michigan survey shows that 9-million U.S. families suffered substantial losses of income through unemployment. These widespread losses particularly hurt sales of durable goods, even though other buying was well sustained.

• **Chancy Autos**—The economists were unanimous on one point: Auto sales will be the crucial mystery in 1959.

Stahrl Edmunds, economist in Ford Motor Co.'s Ford Div., predicted that automobile dollar volume will rise about \$2-billion, a "good big round number" that implies around 5.5-million car sales.

However, Hans Brems, University of Illinois professor, suggested that the auto industry's standard forecast of 5.5-million sales is on the low side. He declared that new car registrations "are unlikely to be less than 6-million cars and may well be substantially higher."

"Indeed," Brems concluded, "we may be heading for another 1955."

• **Improved Profits**—Economists generally expect corporate profits to gain on the order of 20% next year. However, Edmund A. Mennis of the Wellington Fund in Philadelphia reported on a survey of 110 large companies that had been made by his organization, showing a probable 25% average increase in profits.

"In general," Mennis said, "the in-

dustries hardest hit in 1958 are expected to have the sharpest recovery."

Economists look for a stable market for stocks and bonds. Their average prediction allows for Standard & Poor's index of stock prices to rise from 48.96 to 50.21 and for bond yields to edge up from 4.39% to 4.4%.

• **Formula vs. Man**—Each year at this conference, Michigan's research seminar in quantitative economics reveals the forecast derived from its complex 22-equation econometric model (BW—Sep. 24 '55, p90). This year, the model's prediction for gross national product in 1959 is slightly more conservative than the consensus among the economists at the meeting.

The model predicts GNP at \$456.7-billion for the coming year; the economists, at \$459-billion. However, the model foresees a shrinkage of unemployment to 2.2-million, while the economists expect a 3.7-million average. The model predicts an even more dramatic improvement in corporate profits, from \$32.2-billion this year to \$47.7-billion next year.

• **Dithers and Jitters**—Despite the recent pace of the recovery, some economists expressed concern over "growing complacency about the nation's ability to recover from recessions."

Among this group is Herbert Stein, research director of the Committee for Economic Development. He anticipates "a satisfactory recovery without uncontrollable inflation" next year, but he warns that this comes more from a lucky combination of economic events than from any real improvement in the nation's ability to halt a business slump.

"I am left worried about our capacity to meet a possibly more serious future situation in which luck is not with us," says Stein. "I fear we may regard this 1958 experience as a further demonstration that prompt recovery is a law of nature."

Stein suggested that the present comeback stems from "the favorable conjuncture of a defense program in a state of acceleration and a farm program about to disgorge a vast amount of money." These conditions can't be counted upon, he warned, "and I am not sure that we are intellectually prepared to find substitutes—or even recognize the need for them."

Many conferees expressed worries over the economy's slow growth. Many agreed with Harvard's Prof. John Lintner that the basic drag is not genuine "excess capacity" but an over-all deficiency in demand, aggravated by the nation's tax structure and excessively restrictive monetary policies.

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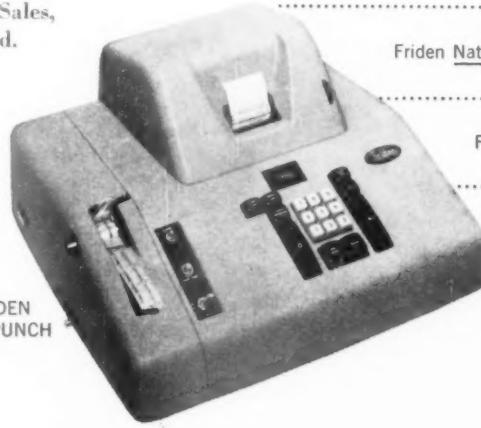
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Revolt Against Giant 1959 Cars Grows; New York Garagemen Charge Them Extra

Major auto makers merely looked disdainful last month when a St. Louis parking lot operator rebelled against the swelling girth and increasing ornateness of some Detroit products by barring 1959 Cadillacs from his premises (BW—Oct. 11 '58, p36).

Last week, the rebellion became more serious. New York's Metropolitan Garage Board of Trade, representing 400 owners in Manhattan and the Bronx, raised its rates 15% to 30% for the larger 1959 models. Some individual operators in the area tried the St. Louis system, barring the bigger cars.

The problem of the "biggies" has two facets: Some new cars are so wide that only two can be parked between the supporting pillars of old-type commercial garages, instead of the intended three. That cuts revenue by 33%, and the increasing complication of lights and bumper trimmings means rising costs of replacing breakage in parking.

Animal Food Is Not Its Dish of Tea, So P&G Sells Some Soybean Crushers

Soybean meal is increasingly important in mixed animal foods, so soybean crushers are finding it advisable to get into the animal food business themselves. That's why Buckeye Cellulose Corp., a subsidiary of Procter & Gamble, has sold four of its Southern soybean crushing mills to Ralston-Purina Co. A P&G spokesman says his company has no place in the animal feed business, so it is now more expedient to buy soybean oil on the open market. However, P&G subsidiaries will continue to operate other crushing mills in and out of the South.

Colorado Court Rules Against Railroad On Oil Rights to Land Grant It Sold

Western railroads are dusting off the deeds from years-old sales of land-grant properties—to find out if they had unknowingly sold the mineral rights along with the land.

The reason is a ruling last week by the Colorado Supreme Court, which held that **Union Pacific RR did not retain oil and gas rights to 160 acres of ranch land in northeastern Colorado it had sold in 1889.**

Though the decision may be appealed, it is still a significant finding in the history of land-grant law suits. These suits have questioned whether Congress intended to convey both mineral and surface rights to railroads, whether "mineral" rights include oil and gas in areas where no explorations had been made, whether in selling

the land the railroads also sold the mineral rights.

In the Colorado case, owners of land formerly held by UP sought in 1954 to clear title before signing a lease with Platte Oil Co., of Wichita, to explore on their property. In 1956, a state district court found in favor of UP. The Supreme Court overturned this ruling last week on the ground that the deed reserved to the railroad only prospecting rights (which expire after 18 years in Colorado), not rights to ownership of minerals.

• • • Oil Companies Can Continue Retailing, Judge Rules in Antitrust Case

Seven major oil companies operating on the West Coast scored a major victory in their long-running antitrust case when a federal district judge refused to order them to divest themselves of their retailing operations.

After pre-trial hearings, the judge ruled that divestiture will not be necessary even if the government charges are upheld at the trial now set for Feb. 12. He said that in that case injunctions would be adequate to prevent price fixing or restraint of trade, while divestiture now would cause a major economic upset, and would be irreversible.

The antitrust lawyers want to use this case as a model for attacking other oil companies (BW—Oct. 4 '58, p52). If they decide to continue the fight for divestiture, they will have to let the present case go to trial, then appeal to the Supreme Court. Otherwise, they may be able to work out a settlement with the companies before the trial; previous discussions of a consent decree broke down on the point of divestiture. Actually, the government concedes that its case is based on company policies in effect before 1950, when the suit was started; the policies have been changed since.

• • • Detroit Rapped, Just "For the Record"

A majority of the Senate Antitrust & Monopoly Subcommittee agrees that auto prices are "administered" by the manufacturers. The subcommittee report, signed by Chmn. Estes Kefauver and the other three Democrats, roundly criticizes the pricing, distribution, and styling of the auto industry. But it is labeled as merely "for the record," and no antitrust prosecution is expected to follow. Each of the three Republican committeemen filed an individual report; that of Sen. Everett Dirksen dissented from each and every conclusion of the majority.

• • • Missourians Bar Branch Banking

Missouri voters turned a deaf ear to the pleas of big St. Louis and Kansas City banks that they be allowed limited area branch banking (BW—Oct. 11 '58, p53). They overwhelmingly defeated a proposal to let banks open branch offices in their home counties, or in Kansas City and St. Louis within 12 miles of city limits.



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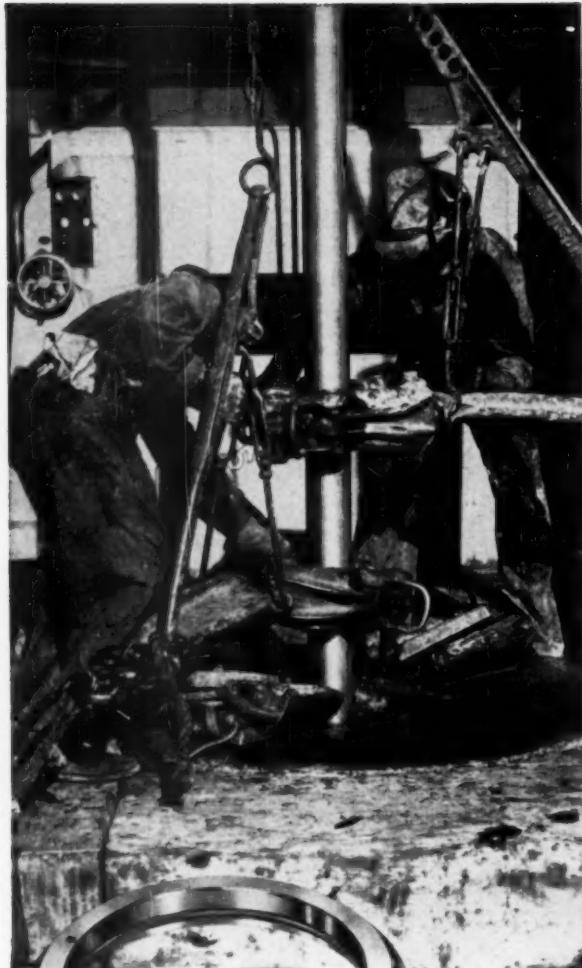
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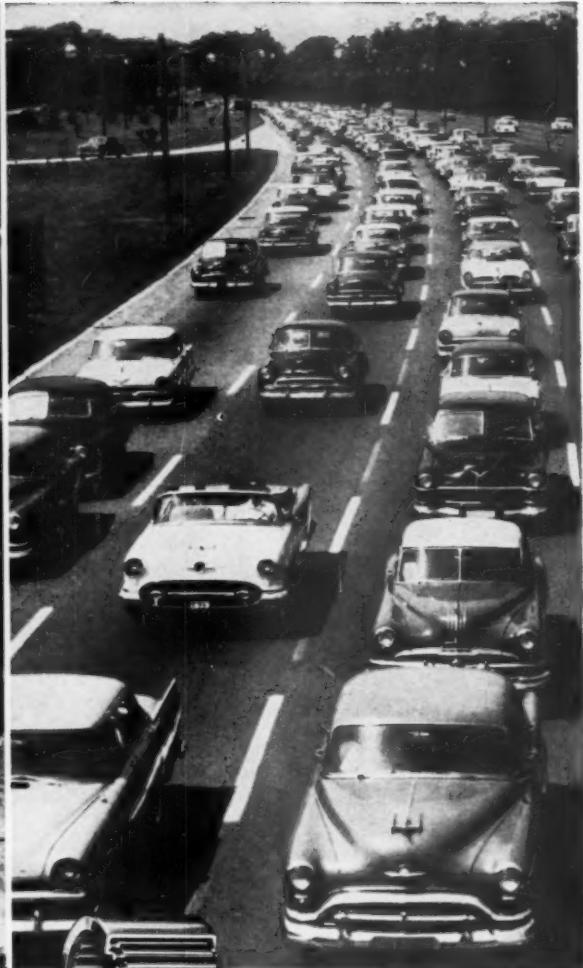
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WASHINGTON OUTLOOK

WASHINGTON
BUREAU
NOV. 8, 1958



A BUSINESS WEEK

SERVICE

Business faces new and big uncertainties in Washington. You can't anticipate details of what's ahead. But you can see the trend as you read the details of this week's election results.

There will be a drift to the left. It won't be the rush that marked the early 1930s—conditions don't call for that. It will take the form of steady pressure for more and bigger government, which means more spending and more government intervention as problems develop. Influence of voting blocs will be strong in Congress.

Here are some facts to bear in mind:

The Democratic Congress will have obligations to meet. **Labor contributed heavily to the landslide.** This shows up in the results from Connecticut in the East to California in the West. Labor never is bashful in presenting its bill.

Farmers contributed and will expect to get considerations.

And there are other blocs that influenced the outcome in individual races—public power advocates, public works advocates, etc.

And 1960 is coming up. With overwhelming majorities in the House and Senate, the Democratic leadership will be able to vote its program. Enactment is no certainty, of course. Eisenhower holds the veto power. He will be able to use this and make it stick, with backing from the old GOP-Southern conservative coalition. But bear in mind that this coalition is weakened—it doesn't have undisputed control now.

Watch the investigations. The Adams-Goldfine embarrassment to the GOP cost votes Tuesday. The Democrats will now have an even freer hand in searching out Republican mistakes. And they will press this.

—•—

Note the election impact on specific legislation:

Labor reform won't amount to much. You probably will get something close to the old Ives-Kennedy bill aimed at racketeers, but such things as control of picketing, secondary boycott, and a national right-to-work provision are out. Indeed, labor unions will try to get Congress to invalidate the federal law that permits states to enact right-to-work statutes.

Congress will vote a new farm bill aimed at higher price props. Eisenhower may be able to kill this with a veto. The Democrats wouldn't much mind, since it would make them strong with farmers in 1960.

A farm sidelight: Benson has had his strongest backing from the Farm Bureau Federation. Now, Benson may have to quit. Neither Nixon nor any other 1960 GOP Presidential candidate will want him on his back. The Farmer's Union, the Democratic faction, may well be on the rise.

As for tax relief, no general legislation is in sight, due to the big deficit the government is running.

But keep this Democratic position in mind, just in case another recession should set the stage for a tax bill: The first call would go to the low individual income brackets. Business would get little or no consideration, either on a reduction in the corporate rate or on liberalization of depreciation, which the GOP considers essential to economic growth.

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
NOV. 8, 1958

On credit, the Democrats like easy money—plentiful and cheap money.

Watch for an attack on the Federal Reserve Board. Democrats blame credit-tightening as a major contributor to the 1957-58 recession. There will be new hearings before the joint House-Senate economic committee, at which the question of Reserve Board control will be raised.

The public power issue will be hot again.

TVA probably will get its bond-issuing authority, which died in the adjournment rush. This will clear the way for new facilities.

But atom power will be the big issue. Democrats probably will have enough votes to force through a big program of government reactor projects.

Antitrust will be a hot issue, with Congress investigating Eisenhower policies. Legislation is uncertain, but Congressional pressure will force the Justice Dept. to become even more aggressive.

The natural gas bill is dead. That's the old Eisenhower-backed legislation that would relieve producers from federal price control.

Oil depletion allowances will come under stronger fire. No action is likely, but the industry will operate under the threat.

A new investigation of defense contract policies is certain. Democrats long have maintained that the Pentagon, under the GOP, has favored big business too much. The prospect now is that officials will be called to the Hill to explain and justify policies. No big change is in sight, but the public hearings will give the impression that the Democrats in Congress favor small business.

The White House will be no cinch for either party in 1960. There is no doubt that the Democrats will then hold control of the Senate, and it will be hard for Republicans to regain control of the House. Besides, any of the old political yardsticks would tell you that the Democrats are on the march. Why, then, is it true that neither party is a shoo-in for the Presidency?

Ticket-splitting is becoming common. Years ago, it was practically unknown. This gave strength to the two-party system. The winner won everything and had the responsibility.

Now you see one party sweep a state, except for two or three offices. And you see Republicans in the White House and Democrats stronger than ever in the House and Senate. When you project this, it's hard to escape the possibility of split government for years ahead—beyond 1960.

The GOP might hold the White House. It has two strong candidates—Nixon and Rockefeller. But there's no assurance that either could capture the House and Senate at the same time (capturing the Senate in 1960 is impossible). And the GOP hope for holding the White House now rests on the prospect that the South, split by the integration issue, will go third-party. This is no idle hope. A write-in candidate in Little Rock beat Brooks Hays, the Democrat who got Gov. Faubus to meet with Eisenhower. This reflects a split that the GOP can and will exploit.



SCHLITZ saves 25% on check writing with Burroughs data-processing input equipment

An old and honored name in U.S. brewing history is Schlitz. Yes, "The Beer That Made Milwaukee Famous."

Time was, though, when all was not beer and skittles in the Schlitz accounting department. For so vast was (and is) the volume of beer sold through the firm's thousands of outlets that keeping up-to-the-minute control of supplier payments proved difficult. Or did until headquarters installed Burroughs data processing machines complete

with punched tape input equipment.

Now? Reports Controller Werner Lutz: "Since installing this Burroughs data processing equipment, check writing costs have shrunk 25% with operating efficiency up. Also, peak loads—peak conditions resulting from 'immediate pay' items—have been eliminated. In addition Schlitz now obtains an automatic check card for bank reconciliation and another card showing distribution."

Management control means an up-to-

the-instant knowledge at all times of all figure-facts relating to your business. It's vital to business success—and it's yours with Burroughs data processing equipment. Provides any accounting operation with new speed, new simplicity, new accuracy, new economy. See our convincing demonstration.

Ask our local branch office and such a demonstration will be set up at your convenience. Or write Burroughs Corporation, Burroughs Division, Detroit 32, Michigan.

Burroughs and Sensimatic—TM's



Burroughs Corporation

"NEW DIMENSIONS / in electronics and data processing systems"



Our roots go deep in the growing areas
served by America's second largest telephone system

Big things are happening outside America's big cities.

People in quest of room are moving into the areas that have space to spare. New homes and new businesses are "growing" fast. And so is General Telephone.

We're proud of the fact that, in these bustling "home towns," Gen Tel is a citizen of long standing. Built over the years, our 1,745 exchanges in 30 states supply modern service to 3,359,000 telephones.

Our lines carry 119 million conversations each week.

In short, things are growing in Gen Tel Territory. And tomorrow promises to be even busier than today. That's why we are working round the clock to improve and enlarge our facilities.

That's why we're making it our business to grow.

General Telephone Corporation, 260 Madison Avenue, New York 16, N.Y.

**GENERAL
TELEPHONE**



Selling Style in Eyeglasses

Opticians and optometrists don't all approve of American Optical's consumer advertising, but AO is sure it will build sales.

For a woman like the one in the picture, buying new eyeglasses is almost like shopping for a new hat. She may choose from a dazzling selection of frames in a variety of colors, shapes, and ornamentation, some of them with such fashion-conscious names as Illusion, Pert, and Femme.

Men, too, choose frames to fit their faces and personalities. And it's all a long way from the successive periods when practically all glasses had round horn rims, plain silver rims, or no rims at all.

With the ultimate consumer exposed to a wide choice today, the companies that make the frames and lenses are itching to compete more openly and directly through consumer advertising. The company that has taken the plunge—not without arousing criticism within the eye care profession—is American Optical Co. of Southbridge, Mass.

- **Making a Pitch**—For years, many of the optical companies—AO, Bausch & Lomb, Shuron, Univis, Continental—have been stressing frame styles, making a point of the "becoming" look of well-chosen glasses. But they have been confining their promotion to the oculists, optometrists, and opticians who actually buy the glasses for delivery to patients. They have made up posters and colorful displays, but only for professional offices.

Now American Optical, which claims top rank among makers of lenses and frames, is testing tradition by running color ads promoting its frame styles, by name, in such natural consumer magazines as the Saturday Evening Post and Harper's Bazaar, and the whole industry is holding its breath. It's a trial of whether or not point-blank marketing methods are adaptable to the twilight world between the professional and the commercial.

Other companies have advertised in consumer magazines, but primarily on a non-product, institutional level. In contrast, AO is using mass-circulation magazines to stir up brand-consciousness and style-awareness on an intensified long-range basis. And some professionals who prescribe and dispense glasses feel this conflicts with their own responsibility to advise the consumer what he needs.

AO is trying, of course, to win over this opposition. It feels it is making



A WOMAN CHOOSES GLASSES these days as carefully as she chooses a hat. American Optical Co. is ruffling professional eye men by aiming its pitch directly at this market.

enough headway to start planning an expanded advertising setup for next year. It is also overhauling its distribution campaign to move its volume more efficiently, more profitably.

I. New Life

Two men chiefly are behind AO's new vitality: Pres. E. Weldon Schumacher and Victor D. Kniss, vice-president of the company's oldest division, the Ophthalmic Div., which accounts for about 65% of sales.

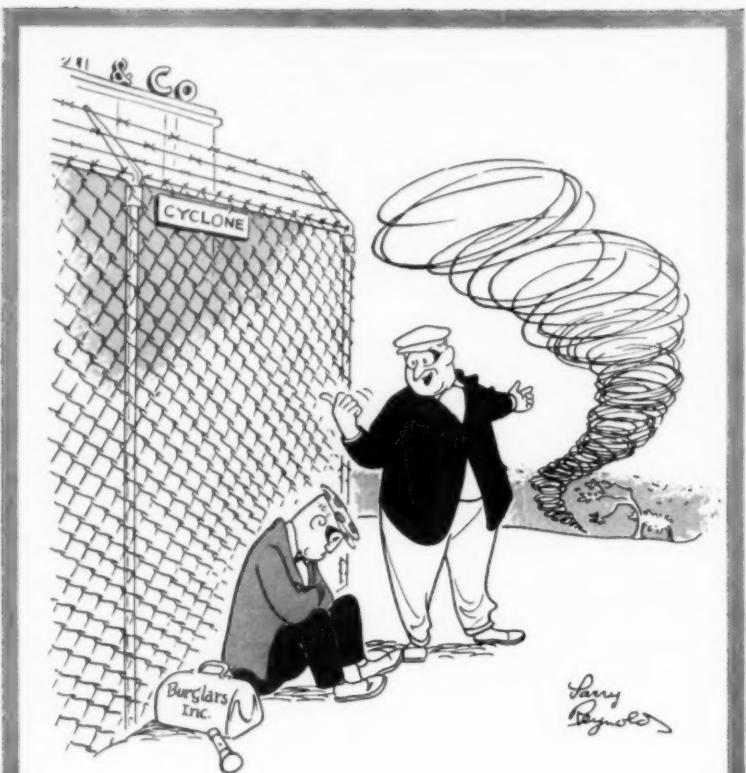
When Schumacher took the reins in 1955, AO was still leading the market, as it had for more than 100 years, but trouble seemed to be developing. For three years, sales had been declining.

Schumacher and his team reversed this trend, pushed sales from \$70-million in 1955 to \$78-million last year.

- **Competitive Spectacle**—Most ominous for AO's future were the intrusions that the small companies were making in the eyeglass frame business. For example, after the war, frame design shifted from metal to plastics, which can be styled more flexibly. AO was slow in moving into plastic frames, hence fell behind in sales.

AO is big, conservative, offers many product lines; smaller companies could move faster in innovating styles in a market that was becoming fashion-conscious.

Schumacher, primarily a manufacturing man, decided he needed someone to



**"CHEER UP SPIKE, MAYBE DIS CYCLONE COMING UP
CIN HELP US GIT OVER DAT CYCLONE."**

Cyclone Chain Link Fence has discouraged many a thief and vandal from trying to enter a plant or mill. This strong, sturdy fence, topped with three strands of barbed wire, provides a very effective barrier to keep out trespassers, control employee or visitor traffic.

Cyclone Fence is made of top-quality materials and is built to give long, trouble-free service. For more information on Cyclone Fence—and the Cyclone Erection Service—send in the convenient coupon.

USS and Cyclone are registered trademarks

USS Cyclone Fence



Cyclone Fence, American Steel & Wire
Dept. 4118, Rockefeller Bldg., Cleveland 13, Ohio
Send free booklet, "Your Fence."

Name

Address

City Zone State

Cyclone Fence Dept.,
American Steel & Wire
Division of



United States Steel

revitalize the company's marketing. That's why, in January, 1957, he brought in Kniss, who had been president of Westinghouse Electric Supply Co.

One of the first moves by Kniss was to put style and color consultants to work on sprucing up AO's line of frames and continuing to keep them ahead of the market as styles change. The consumer, after all, selects the frame, not the lens, but the industry has an axiom that "the lens follows the frame." If the customer picks an AO frame, because he likes its looks, the dispensing optician or optometrist will most often supply a set of AO lenses for it.

II. Direct Approach

To woo users to AO frames, American Optical decided it had to talk directly to the consumer. "We wanted to reach the person who actually spends the money," says Kniss.

Its advertising in professional and trade journals was reaching about 9,000 doctors, 18,000 optometrists, and 3,500 opticians. But it was failing to make any brand name or styling impression on many millions of eyeglass wearers—and millions more who should wear glasses.

When its new policy of consumer advertising is criticized by professionals, AO points to a study a few years ago that indicates a need to reach the man in the street.

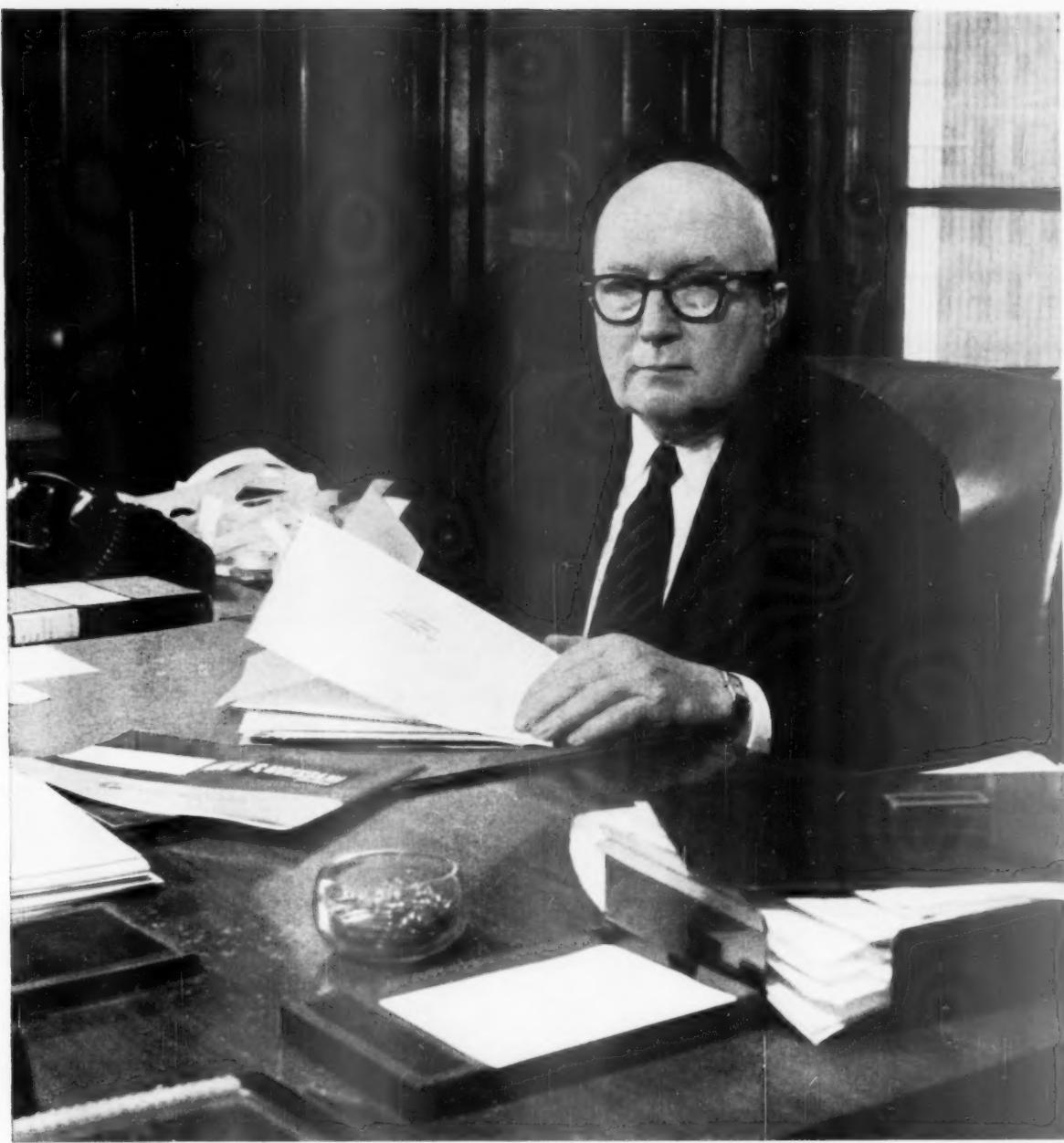
At the time of this study, 143-million Americans were six years or older. Glasses were worn by 77-million; an estimated 32% of the remaining 66-million should be wearing glasses. A tiny share of the nation's expenditure for medical services goes to eye care, and 24-million Americans have never had an eye examination.

- **Two-Way Appeal**—Schumacher and Kniss agreed in late 1957 on a two-way merchandising campaign, one directed to the general public and the other to the professional practitioners.

The first stressed the general need for eye care and the specific values of AO frames and lenses. To help develop the new advertising theme, Kniss hired H. P. Brigham, a Kudner advertising executive who had worked on Westinghouse accounts, as advertising manager.

The second phase of the campaign, to win over the professionals, got under way last fall, when a traveling show toured the country, displaying AO's full line of frames and lenses. About half the professionals who were invited came to the show, and 90% of them placed orders, AO says.

- **Brand Identity**—Kniss also set about giving AO products a stronger brand identity. All packaging was restyled in a new red and white color theme. A little pennant-like emblem was adopted



GERALD M. LOEB, a senior partner, E. F. Hutton & Company, and author of the best-selling book, "The Battle for Investment Survival," says:

"It's a real dividend-paying paper"

"We want our letterheads, legal forms and other business documents not only to reflect stability and build prestige; they must be of lasting quality. That's why we feel the unique characteristics of paper made from cotton fiber meet our needs best. We consider cotton fiber paper a sound investment—one that pays substantial dividends in user satisfaction."

Flexible white cotton fibers, crafted by skilled hands and modern machines, create papers

that for generations have been recognized for beauty, strength and permanence. Make sure the papers you use are made with cotton fiber—25% minimum up to 100% in the finest grades...in stocks and bonds, business and social stationery, onion skin, index, ledger, drawing, tracing and blueprint papers.

Send for Free Booklet: "What every Businessman Should Know About Paper—Today!"

©Cotton Fiber Paper Manufacturers, 122 E. 42nd St., N.Y.C.



BETTER PAPERS ARE MADE WITH COTTON FIBER

LOOK FOR "COTTON" OR "RAG" IN THE WATERMARK OR LABEL

The RIGHT STAMPINGS... How much does it cost YOU to make them?



This free form helps you analyze stamping costs. Write nearest stamper for your copy.

Do you have skills and equipment equal to the stamping specialists? They can meet your needs, assume your stamping headaches*, save you money. You don't pay a cent for off-specification parts or rework.

*Space	Indirect costs
Die trouble	Tolerances
Rejects	Machine repair
Extra investment	Setup costs
Handling	Inspection

The American Stamping Co.
26650 Lakeland Blvd.
Cleveland 23, Ohio

Detroit Stamping Co.
350 Midland Ave.
Detroit 3, Mich.

H. K. Metal Craft Mfg. Co.
3775 Tenth Ave.
New York 34, New York

Northern Metal Products Co.
9595 West Grand Ave.
Franklin Park, Ill.

Worcester Pressed Steel Co.
100 Barber Ave.
Worcester 6, Mass.

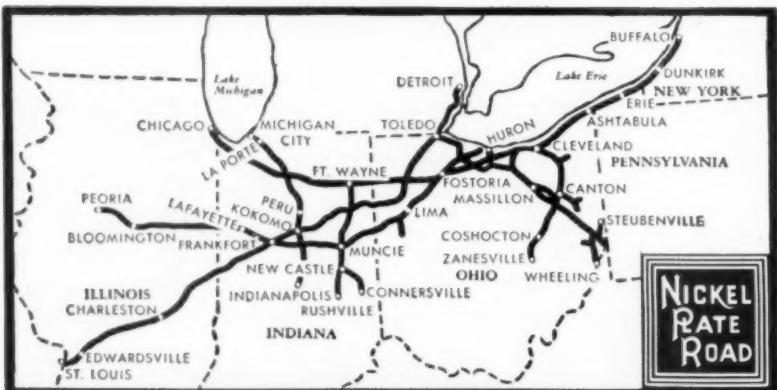


Thinking about locating a plant in Ohio, Indiana or Illinois? Then check Nickel Plate's survey service.

NKP has information on available sites—plus facts on utilities, taxes, transportation and other data you'll need to know. In fact, every NKP survey is tailor-made to your requirements.

Let NKP know those requirements. Please contact M. H. Markworth, Nickel Plate Road, 1402 Terminal Tower, Cleveland 1, Ohio. MAin 1-9000.

I had to find a plant site...
NKP SURVEYS MADE MY JOB EASIER



to appear on all packages and all advertising.

For the eyeglass frames, company engineers came up with a small red nylon bolt to replace the conventional screws at the temple. AO adopted this little spot of red as its trade symbol; the company sent out bolts to 30,000 eye practitioners, with little wrenches for installing them.

Last May, the company broke out three big four-color ads in the Saturday Evening Post. The first of the three ads followed the institutional approach, but the second pair frankly plugged AO frames by style name and urged customers to ask for them. In September, AO ran a tie-in ad with a dress manufacturers, stressing glasses as a high-fashion item.

• **Beating Drum**—Along with the advertising, AO launched an aggressive promotion program. Salesmen in the field descended on eyeglass dispensers with all sorts of promotional material. The magazine ads were reproduced for display in optometrists' stores; publicity kits were sent to newspapers, and eye men were supplied with leaflets to be stuffed in mailings of bills to customers.

AO even changed the language of its promotion. It began talking about "showpiece styling," a wardrobe of glasses for women to match their costume. It stopped talking about "sun glasses," a term that sounds limited, and adopted the terms "outdoor glasses." It dropped "bifocals," which suggests old age, and began pushing "dual-range glasses."

To placate the professionals—even more, to win them over to enthusiasm for this kind of campaign—AO ran a series of ads in professional journals on the theme, "You benefit first when we tell the world." It mailed out advance proofs of its consumer ads, along with letters of explanation, to 30,000 eye men.

• **Battle Not Quite Won**—AO concedes that it hasn't won unanimous approval from the professional quite yet. Official policy of such groups as the American Optometric Assn. still says that any advertising that urges users to ask for specific eyeglass frames restricts the professional man's scope. Letters from individual eye men say much the same thing.

"I do not feel patients have the right to ask for a particular frame, any more than I would have the right to ask a doctor to give me an injection of a certain company's drug," writes a Los Angeles optometrist who canceled his business with AO.

However, AO declares that 95% of its mail and personal contacts expresses approval. Individual eye men, the company is sure, are judging the campaign on the question of whether or not it brings them more business as



Now...improve your product picture with Asbestos-Teflon parts—tailor-made by Johns-Manville

J-M Engineers design and construct packings, gaskets and vital components of pure Teflon*—or Chempac®, the material that combines Teflon with Asbestos to give an unmatched combination of chemical, electrical and mechanical properties.

Whether you are concerned with high-frequency electrical insulations . . . a vital component for the automotive or aircraft industry . . . or trouble-free parts for plant equipment . . . Asbestos-Teflon forms enable your product to perform at peak efficiency.

Designing components for jet aircraft and missiles? Molded seals of Teflon are used for the air-flow valve in jet aircraft. They provide a leakproof, long-lasting closure unaffected by constant contact with hydraulic fluids, or temperatures ranging from -65° to $+400^{\circ}\text{F}$.

Turning out vital equipment for the electrical world? Terminals of Teflon can provide economy by reducing installation time and assembly costs. They are one-piece construction and can be simply and permanently mounted into chassis holes by press fitting, without hardware.

Making plant equipment that must stay on-the-go? Gate valve packings of Teflon provide a tight, leakproof seating because they are chemically inert, will not swell or crack, have a low coefficient of friction. And they won't stick or freeze.

Important: J-M can assure prompt delivery of Chempac Teflon components, packings and gaskets, tapes, rods or tubing. Write Johns-Manville, Dept. B-5, Box 14, New York 16, N. Y. In Canada: Port Credit, Ontario.

*TM for DuPont Tetrafluoroethylene resin.

J-M Chempac Teflon offers:

- **Dielectric properties**—Low power factor, low dielectric constant, high volume and surface resistivity.
- **Chemical inertness**—Inert to nearly all chemicals and solvents.
- **Toughness and flexibility**—Remains tough even at low temperatures.
- **Low coefficient of friction**—Unique slippery surface resists adhesion.
- **Moisture absorption**—Less than 0.01% by ASTM test.
- **Weather resistance**—Absolutely no recorded change in properties after 10 years of outdoor exposure.

JOHNS-MANVILLE
100 YEARS OF QUALITY PRODUCTS . . . 1858-1958

JOHNS-MANVILLE
JM
PRODUCTS

NELSON CONTROLS

govern power for aluminum plant



Nelson furnished 120 Engine Generator Control Boards for the new Port Lavaca, Texas Aluminum Reduction Plant of the Aluminum Company of America.

Nelson customers include 19 of the 30 largest American corporations. Alcoa, as one of these 19, depended on Nelson equipment for reliable, economical, electrical control.

These Alcoa-designed, custom built engine generator control boards provide automatic control of radial diesel engines and D.C. generators which provide the D.C. power for electrolytic reduction of aluminum.

THE FOLLOWING FEATURES ARE PROVIDED IN THESE BOARDS:

GENERATOR SECTION
(Shown at left of photo)

Breaker Control Switches

D.C. Ammeter and Voltmeter

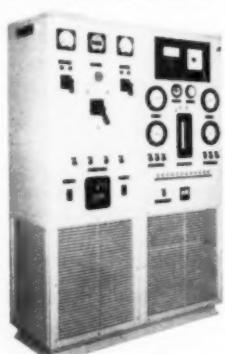
Electric Tachometer

Throttle Control Switch

Field Rheostat Regulation

Automatic Voltage
Regulation

Emergency Shutdown



ENGINE SECTION
(shown at right of photo)

Cylinder Temperature
Indicator (with alarm)

Oil Temperature and
Pressure

Gas Pressure

Water Temperature
and Pressure

Scavenger Air Pressure

Automatic Control
and Shutdown

The next time you have a project that includes instrument and control panels let us quote on requirements. Nelson is equipped to do all fabrication, wiring and piping, and factory test prior to shipment. Our engineers are qualified to handle both large and small jobs. For additional information please write the factory.

A major source of Electrical Control Equipment for Industry

NELSON Electric MANUFACTURING CO.
TULSA, OKLAHOMA

well as whether or not it cuts into their professional prerogatives.

"Sales are creeping up each month," says Kniss. Advertising Mgr. Brigham says AO will definitely continue its campaign, with an expanded advertising budget next year.

III. Structural Changes

One of Schumacher's moves early in his regime was to form the present Ophthalmic Div. by combining the frame, lens, and case divisions. Kniss carried the consolidation and the untangling of lines of authority a step further when he reduced the number of sales regions from 12 to 10.

"AO was known as slow-moving," says Kniss. And much of this trouble centered around the ponderous accounting system and the congested distribution channels that deal with AO's huge inventory. The company must stock about 13,000 types of lenses, and a tremendous number of frame styles, sizes, and colors.

• **Data-Processing**—"We couldn't afford to get a sales breakdown of such a great variety of sizes and colors on a regular monthly basis," Kniss recalls. That created delays in production to restock the more popular items, as well as the unnecessary piling-up of slower-moving inventory in the field.

In 1957, AO talked with International Business Machines Corp. about this accounting problem. Now it has the first commercial IBM 650 computer installation in New England. Today, Kniss can draw out sales figures, inventories, comparisons of items and styles—virtually any data that's needed to guide production and sales decisions.

• **Air Freight**—Distribution was also a problem because of the same inventory bulk. AO has 252 branches, all over the country, that process prescriptions they get from the professional men. Fast service is essential.

When Kniss came to AO, the company was trying to maintain a full inventory at each of the branches. This tied up too much product in the distribution pipeline, added greatly to the cost of doing business. Kniss instituted extensive use of air freight, so inventory of the less commonly used items can be concentrated at Southbridge without any delay in delivering glasses to the customer.

Kniss also fostered a closer relationship between the home office and the salesmen in the field. He set up sales clinics, spent time in each of the 10 new regions to inform salesmen of AO's program, and established a bonus incentive program. He devised a week-by-week calendar showing what the home office would be doing and what the field staff is expected to do in support of these efforts. **END**



**AT SILOAM,
KENTUCKY**

430-acre Ohio River Industrial Site

The Ohio River Valley is one of the fastest growing industrial areas of our country. For 150 miles – between Huntington, W. Va., and Cincinnati – Chesapeake and Ohio Railway parallels the busy Ohio River.

Already, giant steel mills, new and expanding chemical plants and other varied manufacturers call this valley their home. But many level, flood-free river front industrial sites are still available, some owned by Chessie's railroad.

Typical is this 430-acre site at Siloam, Kentucky.

LOCATION: 4 miles east of Portsmouth, Ohio, at the junction of C & O main lines – West to Cincinnati and Chicago, East to West Virginia and Virginia, North to Ohio, Michigan and Canada.

TRANSPORTATION: Chesapeake and Ohio; U.S. highway No. 23; Ohio River. **UTILITIES:** Kentucky Power Co., Columbia Gas of Kentucky, Inc. Water from South Shore Water Works with surplus capacity of 300,000 gallons.

TOPOGRAPHY: Just enough slope for proper drainage. **LABOR:** Estimated surplus of 2,100 men and 6,500 women in the area.

Complete Industrial Surveys of this and other Ohio River sites are available to interested companies. Inquiries are handled in complete confidence and without obligation. Address: Wayne C. Fletcher, Director of Industrial Development, Chesapeake and Ohio Railway, Huntington, W. Va., Tel: Jackson 3-8573



Chesapeake and Ohio Railway

SERVING: Virginia • West Virginia • Kentucky • Ohio
Indiana • Michigan • Southern Ontario

In Marketing

Illinois Drops Letter But Not Spirit Of Censorship on Liquor Advertiser

Illinois' liquor industry has been seesawing between regulation and counterregulation in the last few weeks.

Two weeks ago, the state Liquor Control Commission banned the words bar and saloon in advertisements in publications circulated in the state. It also tabooed pictures of children in such ads. These orders came at a time when the Distilled Spirits Institute was loosening up to let women into liquor advertisements (BW—Oct. 25 '58, p58).

Last week, the commission reversed itself on one point. Advertisers won't have to submit their work to the commission before publication. But ads that don't meet requirements will subject liquor makers to suspension or revocation of their Illinois license.

Maker of Major Appliances Finds a Way To Get Into Family's Christmas Stocking

Norge, like U. S. Steel with its Operation Snowflake, is out to make major appliances a Christmas item. Electric housewares, relatively low-priced items, boom during the holidays, as studies by Electrical Merchandising, a McGraw Hill publication, show. But few of the majors share the holiday cheer to any great degree.

To change this, distributors of the Norge Div. of Borg-Warner Corp. are selling dealers a gift assortment valued at \$100 at retail to offer free to each customer who buys a Norge automatic washer, drier, refrigerator, or other major appliance between now and Christmas. The assortment includes gifts for all the family: a two-suiter suitcase, electric razor; jewelry set, lady's overnight bag; junior classics, and a plastic bowling set.

Home Laundry Boost Expected From Sheets That Iron Themselves

"Wash and wear" has established a foothold in an important new field: no-iron sheets. Indian Head Mills, Inc., launched its Pequot Easy-Care sheets in a big way at retail last June in New York's big Bloomingdale's. Says James E. Robison, Indian Head president, "We have been in a real whirl since this time." A major portion of the mill's output is now going into this product.

The sheets are of cotton—muslin and percale—with a special finish. In muslin, they come in stripes as well as white. They sell at the same price as regular sheets, and, according to Robison, need no ironing no matter how they are washed.

Robison this week told the American Home Laundry

Manufacturers Assn. that the sheets will provide "a tremendous stimulus to the sale of home laundry appliances." Some General Electric dealers right now are using them to demonstrate their washers, and especially their driers. Sheets and pillow cases, Robison said, represent the highest percentage of tonnage of laundry that can be done at home. And ironing sheets is a pet hate of many housewives.

Other sheet manufacturers have come into the field. Bloomingdale's reports a "wonderful acceptance" by consumers.

Powdered Milk Patents Pooled By Two Major Dairies for Licensing

Two of the country's biggest dairy companies are pooling some of their basic powdered milk patents. Foremost Dairies, Inc., and Carnation Co. have set up the jointly owned Dairy Foods, Inc., to hold patents on instant dry milk products—both whole milk and nonfat—and to license other companies to use these patents.

The move underscores the growing market for dry milk products. According to Borden Co., the first concern outside of Foremost and Carnation to avail itself of the Dairy Foods license offer, industry production of nonfat dry milk products came to 1,708,510,000 lb. last year. For the 12 months ended August, 1958, output was up to 1,748,610,000 lb. In addition, the industry turned out over 97-million lb. of dry whole milk in 1957.

Among the patents of Dairy Foods is one for a new process to make the instants more instantaneous. This seems to herald a new battle of the instants. Both Carnation and Foremost have been marketing the stuff; Borden is about to come out with an improved version of its instant Super Starlac (nonfat), which dissolves in ice water in six seconds. Dairy Foods believes that its licensing offer will extend the world market for instants.

Commercial users—and the government—are still the big customers. But a healthy 9% of the nonfat dry milk output is going into consumer packs.

Antitrusts Want Anheuser-Busch To Divest Itself of Florida Brewery

The Justice Dept. has filed an antitrust suit in Miami against Anheuser-Busch in an effort to force the big St. Louis brewer to sell the Regal Brewery, which Anheuser bought from American Brewing Co. last February.

The government said that the purchase had increased the volume of Anheuser-Busch's sales in Florida by 12%, bringing its total to 33% of the Florida beer sales. The effect may be substantially to lessen competition, the suit said. Anheuser-Busch is also building a big new plant in Tampa.

Louis F. Garrard, manager of the Regal plant, said "frankly, I cannot understand the basis of the government's action. If anything, we have had more competition by other companies the last year than we have ever had before."



Why is ARTHRITIS called "the Sphinx of diseases"?

ARTHRITIS has been likened to the ancient Sphinx. For arthritis, no less than the Sphinx, is still strange and mysterious in many ways.

For example, the *exact* cause of some types of arthritis remains unknown. Nor do doctors fully understand why it flares up in certain patients and shoulders or develops gradually in others . . . why treatment beneficial for one victim may not help another . . . why rheumatoid arthritis strikes women three times as often as men.

Despite such mysteries, when proper treatment is started early . . . or before the affected body joints have been severely damaged . . . there is great likelihood of lasting relief and marked improvement.

Proper treatment for arthritis and other rheumatic diseases . . . affecting about eleven million Americans 14 years of age

and older . . . must be based on the needs of the *individual* patient.

This is because arthritis occurs in many forms, each of which requires special management. Yet, many people brush aside treatment prescribed by their doctors to seek some cure promising quick and complete recovery. *There is no such thing.*

At least 50 forms of arthritis are known to medical science. But only two of the forms together make up more than seventy percent of all rheumatic complaints. These are *osteoarthritis* and *rheumatoid arthritis*.

Osteoarthritis, or degenerative joint disease, begins as a rule in the thirties or forties as part of the process of aging. It usually attacks joints that undergo greatest wear and tear.

Under proper medical care, a great deal

can be done to lessen discomfort and reduce further damage to joints.

Rheumatoid arthritis may be more serious. Though it involves the joints, it also affects the body. Moreover, it strikes in the prime of life, generally between 20 and 50.

If neglected, rheumatoid arthritis can cause severe crippling. But if it is diagnosed early and treatment is faithfully followed, many patients can be spared disability and helped considerably.

If the disease does not yield to treatment, rehabilitation can often help a handicapped individual continue a useful life.

If your joints become sore, stiff, painful or swollen, consult your doctor . . . and always avoid self-treatment. The sooner you seek his help, the better your chances to head off trouble.

COPYRIGHT 1958—METROPOLITAN LIFE INSURANCE COMPANY

Metropolitan Life Insurance Company
(A MUTUAL COMPANY)

1 MADISON AVENUE, NEW YORK 10, N. Y.



Metropolitan Life Insurance Co.
1 Madison Ave., N. Y. 10, N. Y.

Please mail me a free copy of
your booklet "Arthritis," 11-58-8

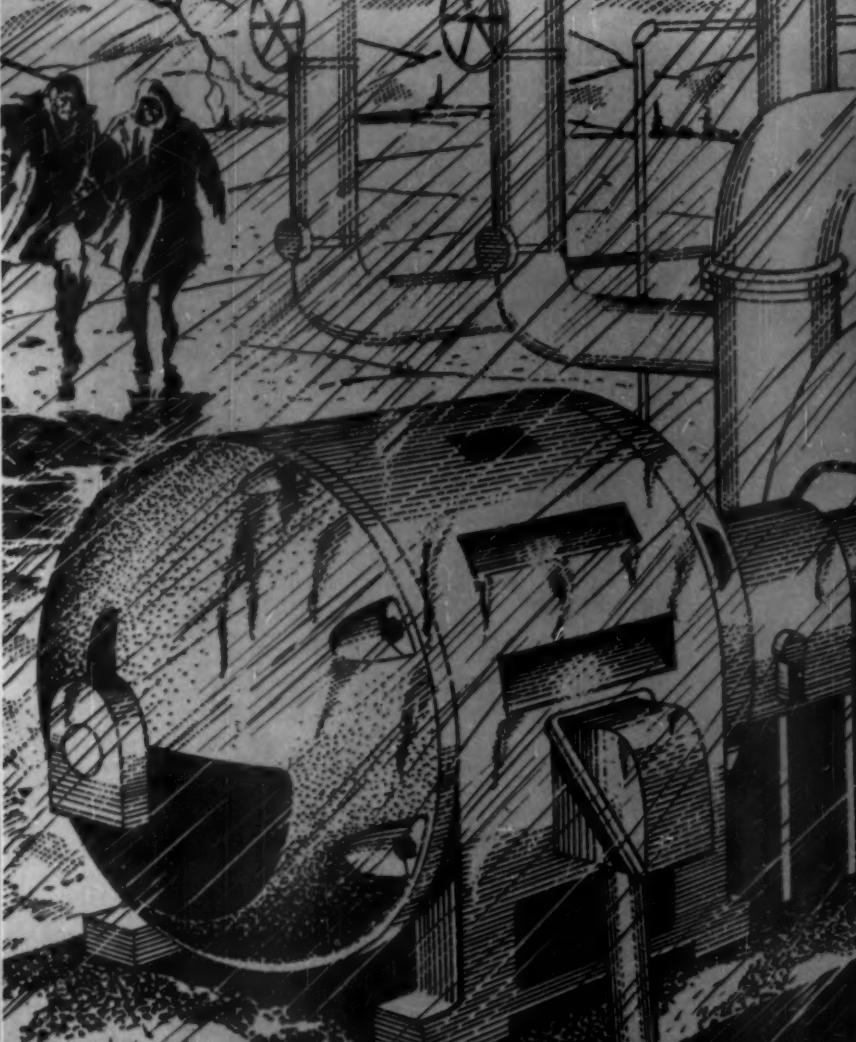
Name _____

Street _____

City _____ State _____



Millions of people in the
United States and Canada
select the security and peace
of insurance. Fewer than
one-half million Americans



Buy General

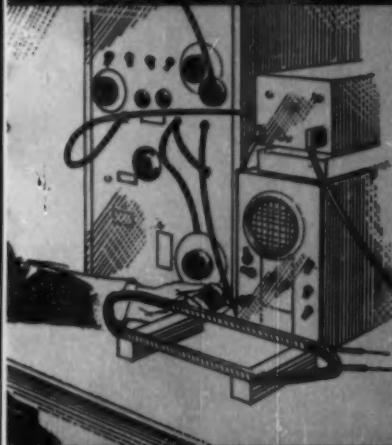
BETTER VALUES
FASTER DELIVERY
NEW MOTOR FEATURES
AVAILABLE NOW
TO HELP MEET FUTURE
MODERNIZATION PLANS



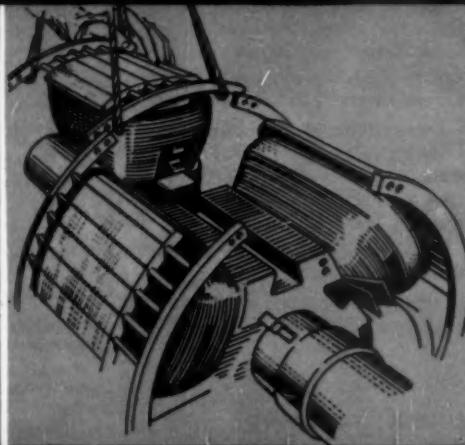
MODERN MANUFACTURING FACILITIES, typified by tape-controlled lathe, reduce error probability and improve over-all accuracy and quality consistency of components; speed up custom manufacture of 150- to 5000-hp motors.

NEW G-E *Polyseal*^{*} INSULATION now permits the use of low-cost open motors in most out-of-doors or contaminated atmospheres—applications which formerly required more expensive enclosed models. The new sealed silicone rubber insulation—in form-wound motors for most ratings from 150- to 1750-hp—is the result of continuing insulation research. New Class B silicone rubber insulation, first in a line of newer sealed systems, gives longer motor life, more power per frame size.

* Trade-mark of General Electric Co.



CONTINUING RESEARCH keeps General Electric the leader in advanced insulation developments such as Polyseal insulation, armored systems for submersible motor coils, and new sealed field pole units for synchronous machines.



VIBRATION-FREE ROTORS for synchronous machines feature integral construction of pole and coils to minimize vibration and lengthen motor life. Amortisseur windings are silver-brazed to end rings to give permanent joint.



IMPROVED SURFACE APPEARANCE of G-E motor—from 150 to 5000 hp—is accomplished by rigid inspection, highest standards for incoming castings, and improved finishing processes, providing clean, modern appearance.

Electric Motors NOW For Extra Values

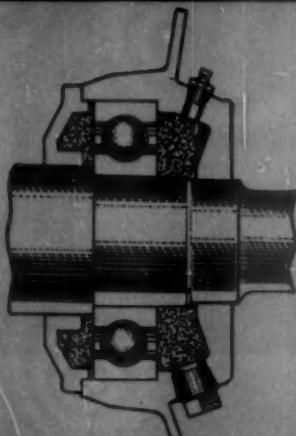
With the recent indication of an upturn in our nation's economy, the pressing need for more efficient production facilities has received added emphasis!

To meet the demands that lie ahead, industry must spend an unprecedented share of its dollar investment during the next three years for modernization.

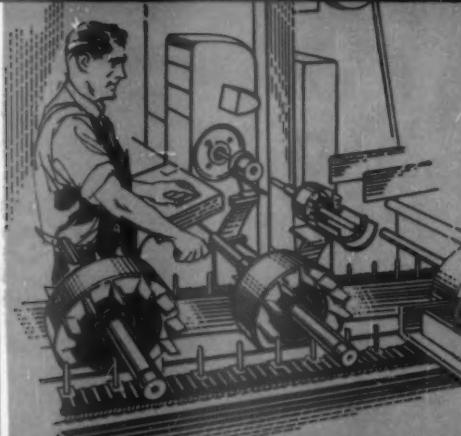
Significant in any modernization program is the role of modern electric motors. And to take *full advantage* of the new product innovations, faster delivery cycles, and increased values of new General Electric motors, now is the time to buy!

Here are eleven of the more than 150 extra motor values presented during "Operation Upturn"—General Electric's business acceleration program. They are only an indication of things to come! General Electric will continue its research to provide the newest motor features to help you reduce cost and increase production. For the complete story just call your nearby Apparatus Sales Office or distributor; or write direct to Section 802-3, General Electric Company, Schenectady 5, New York.

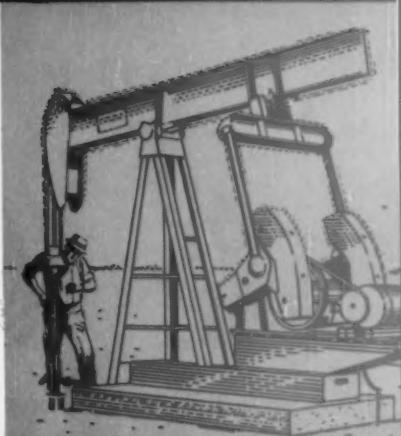
GENERAL ELECTRIC



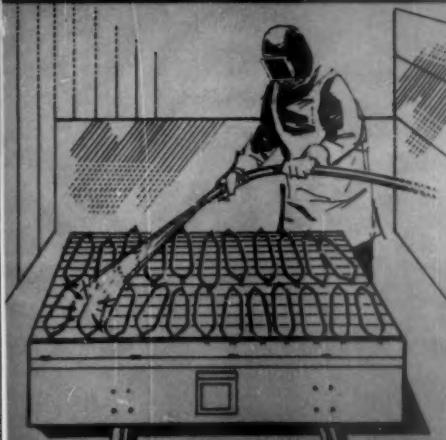
IMPROVED BEARING SYSTEM of G-E 7½- to 125-hp motors utilizes over-size ball bearings, larger grease reservoir, new grease for long life. Can be relubricated while in normal operation. Write for bulletin GEA-6602.



HIGH-SPEED PRODUCTION of new General Electric Tri-Clad® '55' motors is accomplished in modern automated plants. This means fast delivery on special-purpose as well as standard motors and reduces delivery cycles to you.



NEW OIL WELL PUMPING MOTOR is the only known motor with electrical characteristics designed specifically for this application. Design gives 8-10 percent slip, 400 percent starting torque, lower kwh per barrel.



ABRASION-RESISTANT INSULATION of General Electric stator and rotor coils on large ball-mill motors developed through rigid tests to give maximum protection in applications where dust, dirt and moisture are prevalent.



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POLYEX® FORM 4 IRRATHENE SEAL—an insulation system developed for use on large motors in rubber mill atmospheres—offers increased chemical and mechanical resistance, up to 50 percent greater voltage endurance.

Rival Ways for Freight to Ride



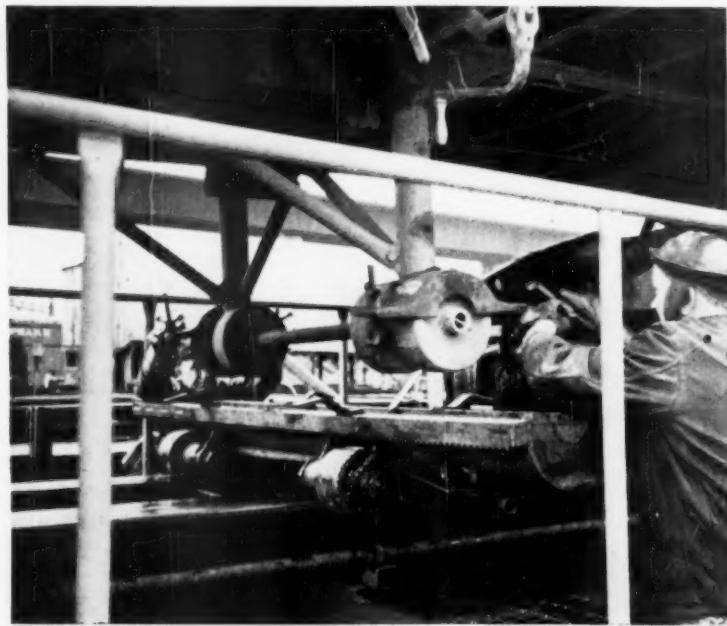
1 First step in Clejan system is backing trailer on special flatcar.

3 If the trailer isn't equipped for the Clejan system, adapters can be attached to trailer wheels and landing gear to provide the necessary caster wheels.



2 Trailer and tractor both ride on small caster wheels that run along center frame of cars. The driver doesn't need to steer, so tires don't get scuffed.

INVENTOR Deodat Clejan examines clamps that hold the trailer or containers.



Piggyback

At a time when railroad business as a whole has been languishing, one type of traffic has been steadily increasing—the so-called "piggyback" shipments of freight in a truck-trailer mounted on a rail flatcar.

Ever since 1952, more and more U.S. railroads have been using piggyback as a slick new weapon against truck competition. So it's quite understandable that there's a sudden flurry among manufacturers trying to capture orders for the special equipment assigned to such service.

Several competing systems have been devised for piggyback freight (pictures on these pages and page 56). This fall, the proprietor of one of them—General American Transportation Corp. (GATX) made a deal aimed at snaring a big chunk of the piggyback equipment market for its system. William J. Stebler, president of GATX, and William E. Grace, executive vice-president of Fruehauf Trailer Co. (cover), shook hands over a licensing agreement that gives Fruehauf the right to build equipment for GATX's Clejan piggyback system. GATX will build and sell or lease the flatcars, Fruehauf the trailers and shipping containers.

• **Treaty of Giants**—The deal joins two mighty outfits:

- GATX, the third largest U.S. maker of railroad cars, is primarily in the business of building and leasing tank and special-purpose rail cars. With its fleet of 65,000 cars, it runs about 50% of all the nation's leased freight rolling stock. Through its Piggyback Div., it owns the term "Piggyback"—which means that, properly speaking, the new shipping method has to be known in general as TOFC (for "trailer on flat car").

- Fruehauf is the world's biggest manufacturer of truck-trailers. It produces more than 50% of the total output of highway semi-trailers, and a subsidiary, Strick Trailer Co., makes some more specialized carriers.

- **Burgeoning Business**—GATX and Fruehauf are teaming up to take advantage of a business that has grown sensational in the last several years, thanks to the benefits it offers both shippers and railroads:

- For shippers, the beauty of TOFC is that it costs only 2½¢ a mile to send a loaded 35-ft. truck-trailer from Chicago to the West Coast via flatcar—just about half the cost of sending it over the highway.

- For railroads, the virtue is that flatcars in TOFC service yield up to



FLEXI-VAN system inaugurated by New York Central involves loading from the side (above). Truck backs against flatcar and slides trailer onto turntable in center of the car; then it pulls away with the wheels, and trailer is swung into place for travel (below).





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*Sources: U.S. Census, SRDS, ABC, California Dept. of Employment & Sales Management.

TODAY—send for these two outstanding reports on Santa Clara County, California and its major newspaper, the San Jose Mercury and News: "UP AND COMING BILLION DOLLAR RETAIL SALES MARKET" and "NEW INDUSTRY SPEAKS".

Greater San Jose Chamber of Commerce
Department 9, San Jose, California



ACF HITCH is most common system now in use. After trailer has been spotted on flatcar, workman with a portable rotary air tool raises the hitch until it locks trailer to car.

400% more net profit than similar equipment in conventional use.

Already, 6,700 out of the railroads' fleet of 56,000 flatcars carry truck-trailers or containers. By early next year, the total will reach 10,000. The figure is even more significant when you consider that a trailer-hauling flatcar can make three to four times more trips per month than an ordinary freight car, because of all the time saved in loading and unloading. A whole TOFC train can be loaded in 2½ hours; two or three men can secure a single trailer to a flatcar in three minutes.

Most trailers now ride the rails aboard standard general-purpose flatcars. But these cars are far from ideal for TOFC. As a rule, they have room for only one 35-ft. or 40-ft. trailer. And a trailer on wheels mounted on an ordinary flatcar is too high to clear tunnels and bridges on some big Eastern rail routes.

• **New Kinds of Cars**—So the railroads are ordering new types of flatcars, long enough to carry two trailers and equipped with speedy loading devices and underslung beds to give more overhead clearance. About 1,700 such cars are already rolling, and more than \$10-million worth are on order for delivery this year and early next year.

In addition, the equipment makers are vying with their various systems for TOFC freight. The systems are of two basic types. In the first, the trailer is rolled onto a flatcar from the end and fastened down. The trailer's wheels stay on and ride along. This is used with GATX's Clejan car, the ACF hitch system made by American Car & Foundry Div. of ACF Industries, and with ordinary flatcars. One disadvantage is the possible trouble with vertical clearances.

In the second type, known as container shipping, the trailer body is removed from its wheels and rolled or lifted onto the bed of the flatcar. The leading practitioner of this method is the New York Central RR, which calls it the Flexi-Van system. The Central's Flexi-Van trailer bodies are built by

Fruehauf's subsidiary, Strick. The PAT system, introduced by Pullman, Inc., and its subsidiary, Trailmobile, is of this type, and GATX's Clejan system can handle containers as well as wheeled trailers. Taking the trailer off its wheels means that a new set of wheels and special handling equipment must be available at the destination. But such systems have impressive advantages. Containers are low in silhouette, low in cost, light in weight, and useful for shipping by water as well as rail. GATX's Stebler believes container freight is the key to long-range success of the Clejan system.

• **Choice of Systems**—The big question is no longer whether TOFC will prosper; it's what system will become the standard.

GATX's Stebler has some bullish things to say about the future of trailer and container freight. "Most of us in the industry," he declares, "recognize the efficiency of loading and unloading piggyback cars has brought a lot of business back to the railroads. But many haven't yet recognized that piggybacking will be the standard method for general-purpose hauling in five more years. You know that a third of all general-purpose freight cars in use are overaged and due for replacement. About 20,000 are replaced each year, and it's not unjustified to say that a lot of them will be replaced by TOFC and container equipment."

There's even talk of change so drastic that someday almost all freight might move in trailers and containers, whether by truck, rail, or water. This could mean the passing of the familiar railroad boxcar.

• **GATX's Entry**—Since GATX has for years been a leader in developing new specialized freight cars, it's natural to find the company trying for a major role as a builder of piggyback cars. "I've made mistakes," says Stebler, "but so far I've never made one in putting my money on the right car."

In piggybacking, he thinks the right car is the Clejan car—named for its

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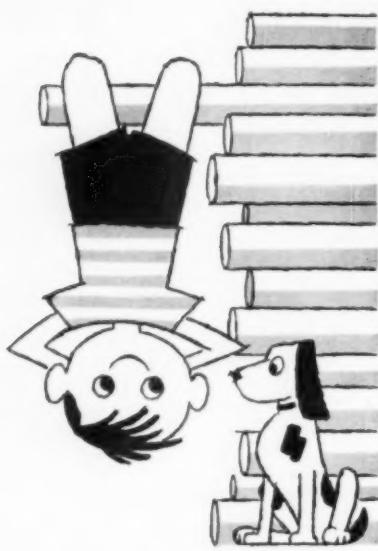
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inventor, the French railroad car designer Deodat Clejan. After coming to this country, Clejan formed Piggy-Back, Inc., a development company that was one of the main forces behind TOFC's postwar growth. GATX acquired Piggy-Back last April and installed Clejan as division manager.

The Clejan system can be used with both wheeled trailers and containers. It requires special containers and special adapters for trailers; GATX's biggest problem will be to persuade railroads and truckers to use it despite this necessity. But railroads with Clejan flatcars are already offering discounts or lower loading rates for trailers equipped with the system, because they are quicker and easier to handle. And Fruehauf will be a potent ally to help sell the Clejan system on truck-trailers and containers.

• **System At Work**—To adapt a truck-trailer for Clejan's piggyback, caster wheels are attached to the axles and the landing gear—the small retractable wheels that hold the trailer up when the tractor pulls away. When the tractor backs the trailer onto a flatcar, the caster wheels ride on a steel frame in the center of the car as if on rails. The tractor used for loading and unloading is fitted with similar casters; it rides the same way.

In container freight, the cargo box sits on a trailer chassis made of rails matching the flatcar body. It's backed up to the car and rolled on. At the destination, a truck with a similar chassis pulls it off.

Because the entire weight of the cargo rests on the center beams of the car, the Clejan car's body can consist of nothing much more than two steel U-beams mounted on railroad trucks—plus special clamps to hold container or trailer and absorb shocks. As a result, the car is simple and cheap. An 85-ft. car to carry two 40-ft. trailers costs only an average of \$12,500-\$2,000 or \$3,000 less than other, heavier flatcars.

• **Stiff Competition**—The toughest immediate rivalry for the Clejan system comes from the ACF hitch. This is simply a folding stanchion that can be attached to either standard or special flatcars. When a trailer is spotted above it, the hitch can be raised to hook to the trailer at the place where it ordinarily would be attached to a tractor. That's all there is to it, except to loop security chains over the rear wheels. Since the trailer doesn't need any accessories, ACF hitches fit any semi-trailer now on the road. Furthermore, four or five standard flatcars can be converted for use with ACF hitches for the cost of a single new Clejan car. However, converted conventional cars pose a vertical clearance problem on some lines.

• **Central's Version**—New York Central's Flexi-Van is the only container system in which loading is done from the

side. In all the others, the trailer or container is driven onto the end of a string of cars. In Flexi-Van the trailer is backed at right angles to the side of a car and slid onto a turntable mounted in the middle of the car. The tractor then drives away with the trailer wheels, and the trailer body is swung into position for the trip.

The system is usable only with Flexi-Van truck-trailer bodies, built by Strick. But it needs no ramp for loading, and a container can be placed anywhere in a train without breaking up the cars. Also, since the Flexi-Van flatcars are equipped with roller bearings, they can operate in passenger trains as well as freights. At present, the Post Office is using six vans each way nightly between Detroit and Chicago on NYC trains.

The third major contender may be the PAT system, devised by Pullman and Trailmobile. This will handle containers. The trailers are backed onto the car and clasped by arms at all four corners. Then, the truck chassis is lowered by deflating its air-suspension springs, and it pulls away, leaving the box resting on the arms. So far, most railroaders and truckers don't seem too impressed by the system, but it's still under development.

• **Ranking**—At the moment, the ACF hitch is by far the leading system. It is used for probably 75% of all TOFC traffic, partly because of the absence of interchange problems. Trailer Train Co.—a car leasing concern owned by a number of railroads—uses nothing but ACF hitches, and it claims to handle half of the present TOFC freight. It has 1,100 cars in service and 800 more 85-ft. long cars on order.

The New York Central says its Flexi-Van shipments have increased "100% per month since last April when service began." This month, Central will inaugurate interchange Flexi-Van service with the Burlington and Milwaukee, and there are rumors of similar deals in the works.

Almost all railroaders think the ACF hitch will always be used. But because of clearance problems and the advantage of container shipping, it seems certain that at least one other system will come into universal use. This is where GATX and Fruehauf see the chance for the Clejan system. The New Haven, which, along with the Southern Pacific, pioneered it, handles an average of over 200 cars a day in its New York yards and looks for increasing volume. The Southern Pacific has about 150 Clejan cars and 800 trucks with Clejan adapters, and this month it ordered 100 more 85-ft. flatcars. But other railroads and shippers are attracted to the system because it makes possible using both containers and trailers, and because it's cheap and lightweight. END



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News about Allis-Chalmers construction machinery . . .

Tractor power helps build Navajo Dam...40 stories high



Morrison-Knudsen Co., Inc. is sponsoring contractor on the Navajo Dam job in a joint venture with Henry J. Kaiser Co. and F & S Contracting Co.

Right now, the dam you see here exists only in the minds of its builders. Spanning a sun-baked canyon in New Mexico, it will create a lake 37 miles long . . . enough water to irrigate many thousands of thirsty acres. But towering Navajo Dam, one of the world's largest earth-fill structures, will take four more years to complete. Sponsoring contractor is world-

famous Morrison-Knudsen . . . already moving the first of 26 million yards of dirt and rock that will test tractor performance and dependability as severely as any job can. M-K's choice — big Allis-Chalmers crawlers with turbocharged diesel power, hydraulic torque converter drive, and the toughest track ever made. Allis-Chalmers, Milwaukee 1, Wisconsin.

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GE's Portable TV Set Weighs Only 10 Lb.

General Electric has just taken a big step toward a really light portable TV set that doesn't have to be plugged into house current.

GE's new model weighs only 10 lb. and runs on either batteries or house current. Last January, Motorola showed a 32-lb. version, and other companies are known to have models in laboratory development.

Price is still the big catch; no one can produce the needed transistors cheaply enough to put a reasonable price on a set and GE has set no date for marketing its model.

PRODUCTION BRIEFS

Sylvania Electric Products Co. has inaugurated a new receiving tube factory in Altoona, Pa. Equipped with advanced automatic production equipment, the plant will replace two smaller ones in Altoona—with a 25% increase in capacity. One new automatic grid machine can turn out 2,500 units per hour compared with 1,000 per hour by conventional methods.

New printing methods (BW—Oct. 8 '58, p94) can mean savings beyond those of the operations themselves. Workmen's compensation insurance rates for photocomposition workers at the Quincy (Mass.) Patriot Ledger have been lowered from the 63¢ per \$100 of gross pay charged for hot metal compositors to the 9¢ per \$100 charged for clerical workers. The Massachusetts ruling may be followed by other states.

The New York City Transit Authority is using a faster, cheaper way of replacing elevated railroad tracks. It lays 33-ft. sections of prefabricated track, complete with ties, plates, footwalks, and third rails. On one line, two mechanized gangs are laying 264 ft. of track a day, using giant cranes to lift up old track and set down new ones. The idea originated in the Soviet Union, says Transit Authority Chmn. Charles L. Patterson.

Latest dent in the high temperature barrier that slows missile and plane development is the new titanium alloy, MST 881. Mallory-Sharon Metals Corp., its developer, says its strength-to-weight ratio and endurance are better than most high-strength steels at 1100F. The new alloy, which includes 8% aluminum, 8% zirconium, and 1% tantalum and columbium combined, is expected to be used mostly in missile airframes and inside Mach 3 engines.

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NEW PRODUCTS



Faster Messages

New teletypewriter setup for the Army handles 750 words a minute, compared with the standard 60 to 100.

Teletypewriter speed will jump from 60-100 words per minute to 750 wpm. when the Army starts operating a new system it developed jointly with industry. The Army Signal Research & Development Laboratory says three basic units are new:

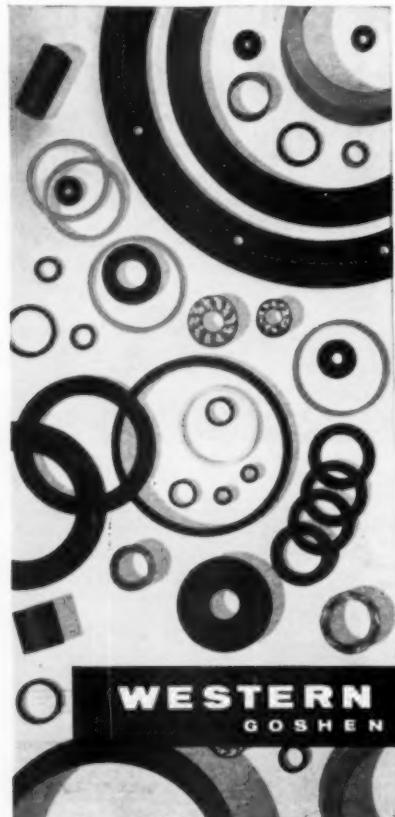
- A teleprinter (picture) developed with Burroughs Corp. and demonstrated last week for the first time.

- A reperforator that duplicates punched tape for resending, developed with Kleinschmidt Laboratories, affiliate of Smith-Corona Marchant, Inc.

- A transmitter that reads tape and sends electric signals to the other units, developed with Minneapolis-Honeywell Regulator Co.

- **Putting It to Use**—In practice, the setup will be used with tape produced conventionally by a human operator at a standard machine. That's because no one can hammer out a message much faster than the 100-wpm. speed of ordinary machines. But, once the tape has been punched, the new system can rattle off messages, and make new tapes for other message circuits, at many times that speed.

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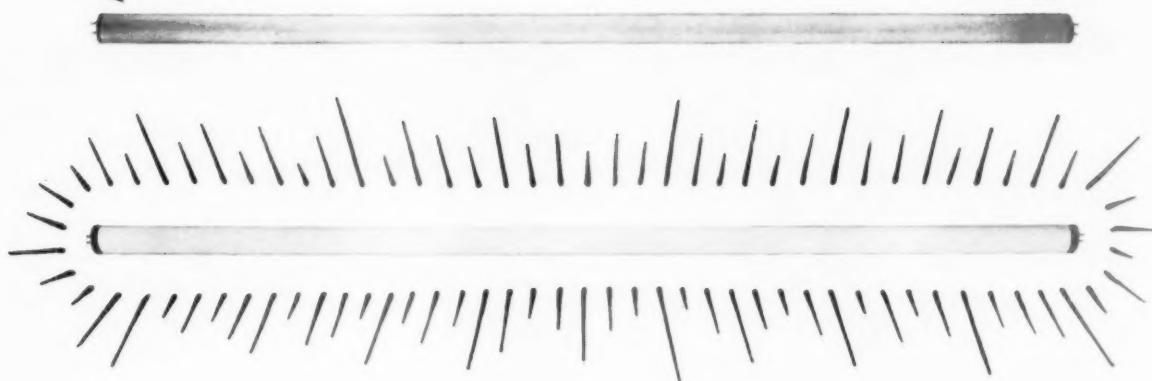
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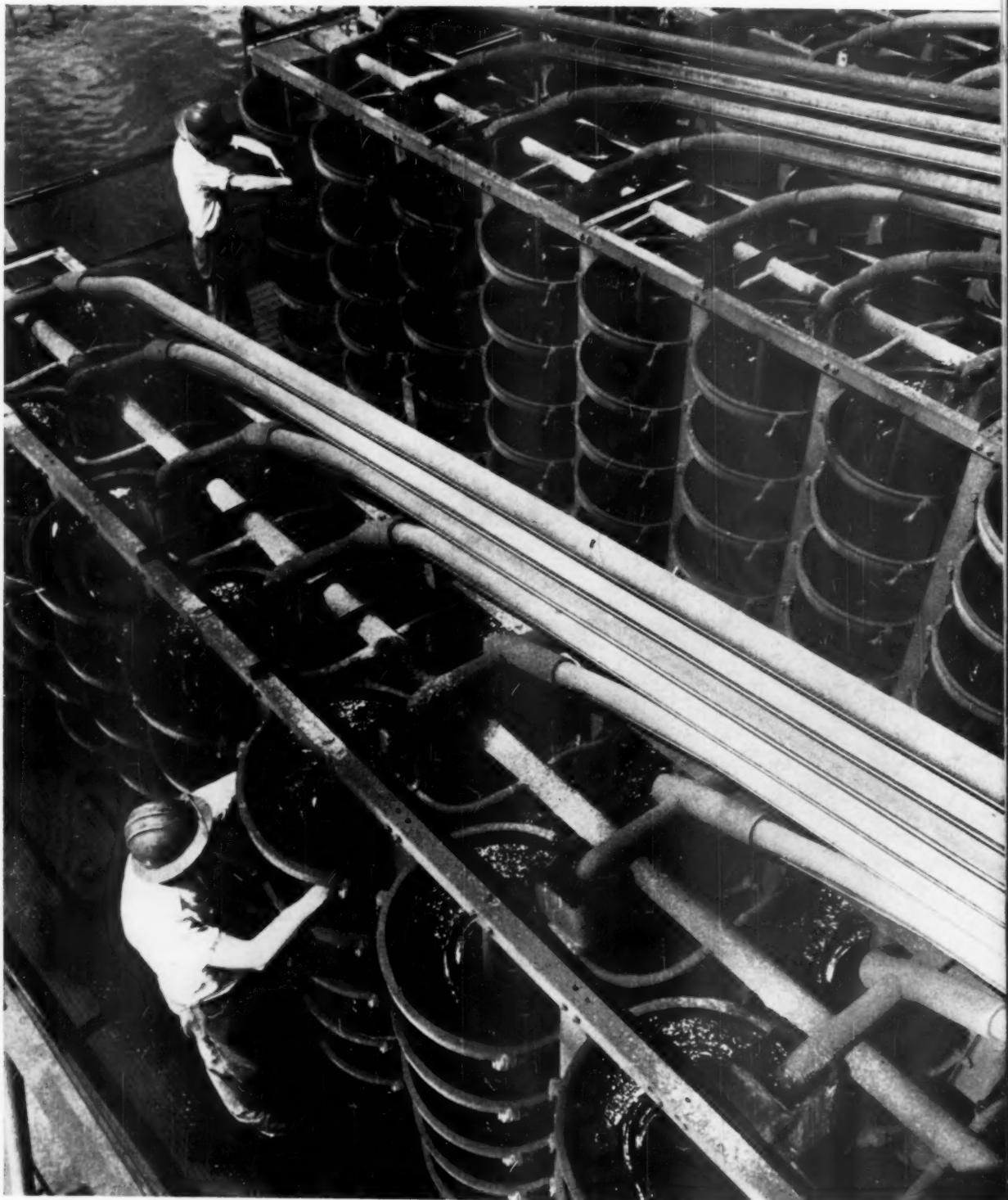
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Florida's resources are much more extensive than many people realize. In addition to a virtually limitless fresh water supply, the State is rich in minerals, chemicals, agricultural products, forest and marine resources.

World phosphate capital

Florida furnishes nearly 75% of all phosphate in the U.S., leads the world in production of this vital fertilizer element. Over ten million tons (value more than \$65 million) are produced annually—and Florida has an estimated 1000-year phosphate reserve. More than 300 tons of uranium oxide are economically recovered each year as a by-product of phosphate processing. Two new cement plants, utilizing native limestone, shell and coral rock, are helping meet Florida's record cement consumption.

Production of zirconium and titanium minerals from Florida beach and dune sands is also significant, as evidenced by the \$25 million plant of Columbia-National Corp. at Milton . . . plus the busy operations of Humphreys Gold Corporation in Duval County, E. I. duPont de Nemours & Company of Wilmington, Delaware, in Clay County, and Florida Minerals Company in Indian River County, Michigan.



Thriving agriculture and commercial fishing point up the diversification behind Florida's sound industrial development.

Near Starke, E. I. duPont de Nemours & Company of Wilmington, Delaware, extracts titanium minerals from sand.

gan Chemical Corp. is completing construction of a \$5 million plant at Port St. Joe for making magnesium oxide from sea water. Total value of all minerals produced annually tops \$130 million.

Rapid expansion in chemicals

Florida is one of the five fastest-growing states in chemical production, has more than 200 thriving chemical plants. Prime example: Chemstrand's giant nylon yarn plant at Pensacola which has undergone three big expansions since starting operations in 1953. Escambia Chemical Corp., Milton, producing methanol, polyvinyl chloride, ammonium nitrate, and nitric acid, has launched two major expansions since opening here in 1955.



The port at Tampa, busiest in the Southeast, shipped 5,364,032,470 lbs. of phosphate, valued over \$25,800,000, in 1956.

Forestry a big business

More than 23,000,000 Florida acres are suitable for intensive forestry development; over 30,000 are employed in the industry. Nearly 650,000,000 board feet of lumber were logged in 1956. A vast reforestation program is under way throughout the State; slash pine, the predominant timber, can be renewed at a faster rate than in other states because of the favorable growing climate.

Florida pulp-making industries annually turn out a product with a wholesale manufacturing value approaching \$275 million. How well they're faring is reflected in the \$20 million expansion of Buckeye Cellulose Corp. at Foley. Heyden Newport Chemical Corp., Pensacola, is a typical example of Florida's \$30 million naval stores activities; the Company recently completed a new \$2 million plant at Telogia.

Agriculture and food fish

Gross annual income of Florida agriculture is nearly \$700 million. The State produces 70% of all citrus in the country . . . leads the South Atlantic States in cattle production . . . has a total annual dairy production of over \$73 million.

More than 150,000 tons of sugar were produced in 1957. Truck crop production volume increased 39% from 1950 to 1956. Some 67,000 acres of tung trees in North Florida are responsible for an annual tung oil production value approaching \$1 million.

Florida ranks third in the U.S. in commercial fish production with 200,000,000 lbs. annually; the State yearly records the biggest volume of shrimp landings.

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Electric power companies have doubled production since 1952, keeping ahead of continuing record population growths . . . statewide natural gas is due by late 1959 with completion of the new \$150 million pipeline . . . there are no State income or State real property taxes . . . groups like the Palm Beach County Resources Board and "Committees of 100" in Jacksonville and Tampa provide community cooperation on sites, zoning, streets, schools, technical training.



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signals. Its only moving part is a small motor to move the tape past the sensing head. Conventional transmitters use metal fingers to sense the holes; other photoelectric transmitters have been developed, but less compact than this.

The reperforator cuts new tapes at the same 750-wpm. speed as the transmitter's reading of the original tape. Combinations of holes, representing letters, are punched simultaneously, a letter at a time, by a set of prongs actuated by electric signals. The message is also printed on the tape for easy reading. A wheel rimmed with raised letters spins at 3,750 rpm; as the desired letter comes into position, a tiny hammer strikes the paper against the inked wheel.

• **The Printer**—The heart of the receiving end of the system is the teleprinter, which gains its speed chiefly by eliminating the motion of keys. Instead of levered keys as in a typewriter or a conventional teleprinter, the high-speed model has 72 plastic heads that correspond to the 72 characters in one line of printing.

Each printing head, facing the paper but not touching it, has a rectangular pattern of 35 wire ends. Electric pulses flow into combinations of wires in such a way as to form the shape of the desired letter, much as lettering is formed on panels of light bulbs in some electric signs, except that the electric charges are not visible. Each letter is set up on the whole row of 72 heads, but only one head is picked at a time to "print" the letter.

This selection is done by a coincident pulse to an anvil plate under the paper and directly opposite to the correct head—the first head for the first letter of a line, the second head for the second letter, and so on.

When this signal is given, an electrostatic charge jumps from the head to the paper, which has a sensitive coating to retain the shape of the electrical charge. The charged areas pick up a powdered ink that makes them visible as letters; this inking is made permanent by heat.

Each charge is deposited in one-millionth of a second, so the printer has a theoretical capacity of 500,000 wpm. The engineering model has a practical capacity of 3,000 wpm., though it will be used only at 750 wpm.

• **Business Use**—Besides speeding military communications, the new system suggests advantages to communications industries, the news services, and business in general for communications among plants and branches. It makes possible a far larger volume of pre-punched messages in less time and with fewer machines and operators.

It will be at least a year before all units are in production. **END**

BUSINESS WEEK • Nov. 8, 1958

New Dallas Auditorium uses



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Transformers
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economical,
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Wagner Dry-Type Transformers can answer your power distribution needs just as they do at the Dallas Auditorium. Call your nearby Wagner Sales Engineer and have him tell you how these transformers can modernize your power distribution system. Bulletin TU-57 gives full information if you prefer to write.



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WT58-7

ELECTRIC MOTORS • TRANSFORMERS • INDUSTRIAL BRAKES • AUTOMOTIVE BRAKE SYSTEMS—AIR AND HYDRAULIC

Cash for the Film Independents



SCENES like this—for filming of *The Naked Maja*, starring Ava Gardner—are costly for independent producers, but change in financing methods now assures flow of bank funds.

Banks once shied away from independent film makers; now a new financing system turns their movie and TV cameras.

This year, production units like the one you see in the photo at the left will turn out about 300 motion picture features. Numerically, this is about 10% below last year's output—higher costs and the trend toward "blockbuster" extravaganzas account for the reduction.

But by yearend, the so-called independent producers will have made an estimated 65% of 1958's films—their biggest slice ever of the movie pie, and many times the cut they could grab off back in 1951.

In television, too, the independent producing companies—though not so big a factor—turn out a substantial and growing share of total film programming.

The rise of the independent has brought with it a whole new setup in the methods of financing both TV and movie film. A vice-president of a big Eastern bank, a long-time specialist in film loans, recalls:

"Used to be that when I made a loan for an independent motion picture, I'd feel like a shortstop with the sun in my eyes. I'd close them, say, 'Help me, God'—and if I was lucky the ball would drop in my glove."

Today, this banker and others of his breed no longer have to trust luck to protect their judgment. After a long period of painful trial and costly error in the years following World War II, financing of independently produced motion pictures, and TV films as well, has pretty much settled down to routine.

Not that these loans are made quickly or handled easily. They are complicated arrangements, backed by an intricate array of safeguards. But bankers will tell you they're making a good many such loans these days at charges not too far above those assessed on loans to big industrial concerns.

• **Answer to a Need**—The system arose out of the movies' postwar troubles. In the old days, up to the end of World War II, the bankers' problem was simple. The major studios made the bulk of all films, and the major studios owned strings of theaters in which they were shown. Bankers could always predict the minimum a film would gross by knowing the company that would show it.

But right after the war came TV,



Frank Castro is one of 17,000 students in Puerto Rico's vocational schools. Photograph by Tom Hollyman.

Perfecting new skills for new industry—in Puerto Rico today

The young Puerto Rican in the photograph is studying a jet engine. He is a student in one of Puerto Rico's twelve modern vocational schools.

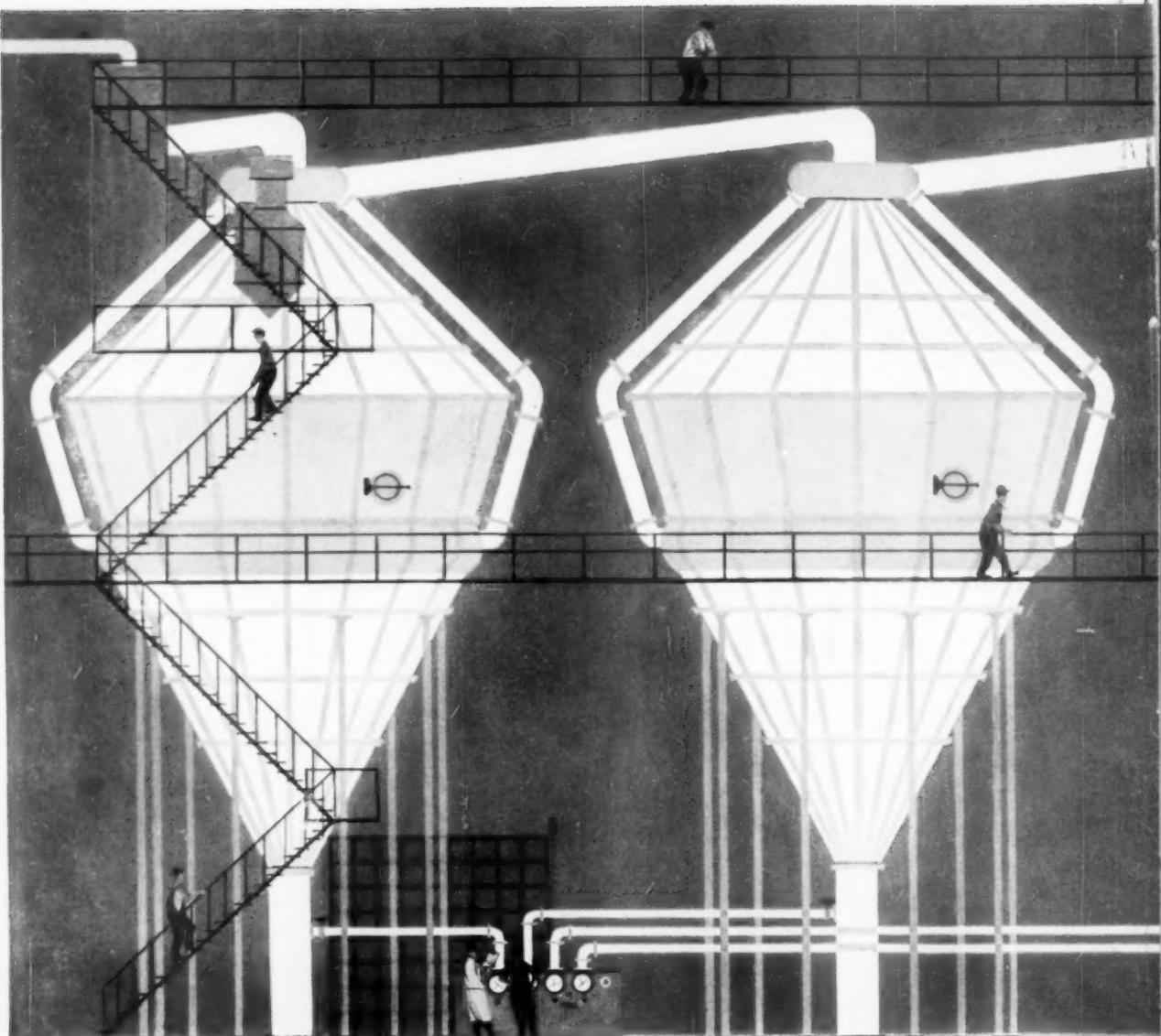
These government-run schools are now turning out skilled Puerto Ricans by the thousand. Power sewing machine operators. Precision tool and die makers. Electronics workers. Machine shop mechanics.

Dexterous Puerto Ricans may already be perfecting the skills needed to make products like yours.

The Commonwealth will even train workers exclusively for you, if your operation calls for highly specialized skills. Last summer, for example, the government created an intensive course to provide watchmakers for a U.S. manufacturer's new plant.

Looking for a plant site?

Tell us what your product is. We can then explain how Puerto Rico's remarkable ten-year tax holiday, and other special advantages, can increase your profits. Write Commonwealth of Puerto Rico, Economic Development Administration, Dept. BW-84, 666 Fifth Avenue, New York 19, N.Y.



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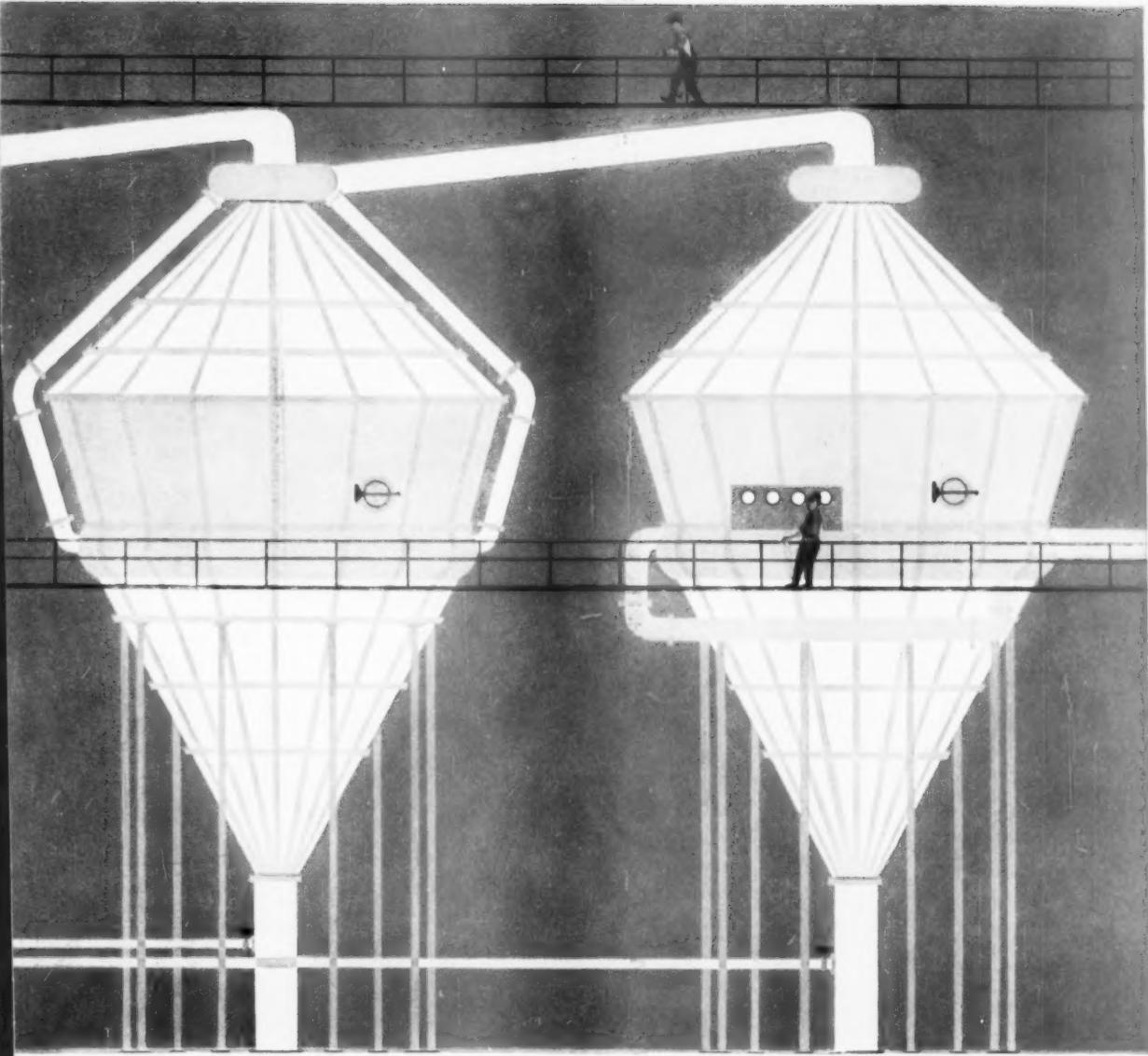
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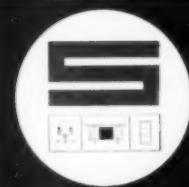
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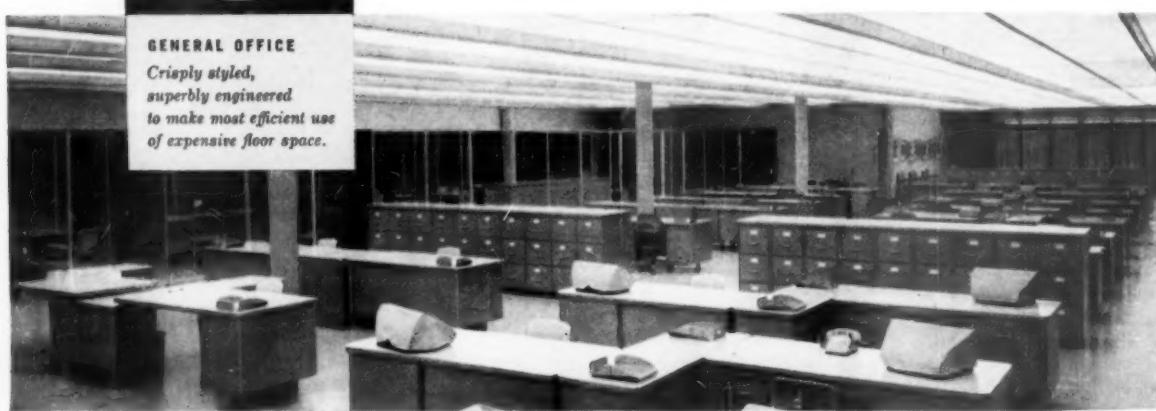


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superbly engineered
to make most efficient use
of expensive floor space.



the sterling crisis—which restricted Britain's dollar film purchases—and a government antitrust suit against the major units in the film industry, resulting in a separation of production-distribution from exhibition. Only last week, Loew's, Inc.'s board approved a long-debated plan to spin off its 102 U.S. and Canadian theaters; other big companies have long since made the separation.

These factors disrupted moviedom and, to say the least, complicated the problem of judging whether or not any individual film would make money. Banks and finance companies tried such methods as evaluating the star's regional appeal, but soon realized they weren't equipped to handle this tricky forecasting. Besides, the public was demanding bigger and more extravagant pictures, and costs were getting more staggering. Such a film, it's true, might gross \$10-million or \$20-million or more. But it might not. *Arch of Triumph*, for instance, cost around \$4-million and didn't gross even its advertising budget of \$1-million. For a time, lenders were shying from film financing as horses shy from fire.

- **New Patterns**—It was in 1951 that United Artists Corp., with the help of Walter E. Heller & Co., big Chicago commercial finance company (BW—Oct. 25 '58, p. 116), set a new pattern. UA, under new management, promoted a system of picture-making by independent units with participation of stars, producers, and directors (BW—Sep. 22 '56, p. 106), and devised a system of financing this independent film production that quickly proved successful.

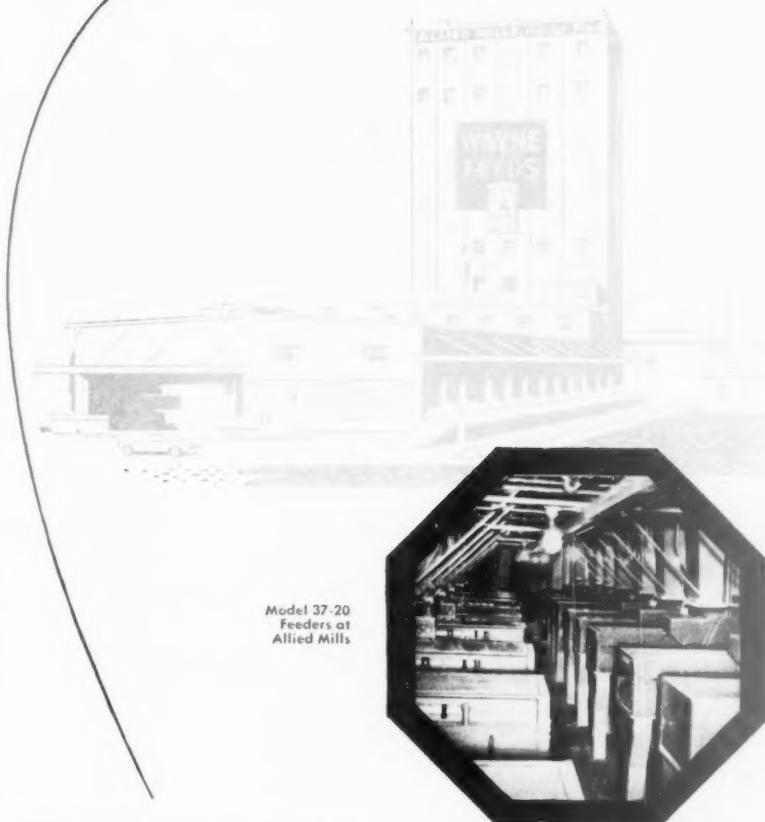
What UA did was to help set up independent companies through which artists and directors could share in the profits of their pictures. UA itself would help finance the operation, mainly by guaranteeing loans from Heller and the banks, and would take over the task of distribution. For its aid, UA got part ownership of the film, plus a distribution fee of 30% to 40% of gross receipts.

Before that, some major companies would occasionally—but only occasionally—help finance big independents. But UA started a tide rolling. More and more Hollywood stars and directors wanted to set up independent companies, and other major film companies soon followed UA's lead.

- **Big Ones**—Today, most of the money for independent productions is put up by a handful of big lenders. Among them are San Francisco's Bank of America, Security-First National Bank of Los Angeles, New York's Bankers Trust Co. and Chemical Corn Exchange Bank, and Heller.

- **Strong Guarantees**—The key to whether an independent film producer can swing a loan lies in whether he

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can get a distributor to work with him. There are seven major distributors: Paramount, M-G-M, 20th Century-Fox, Warner Bros., Columbia, Universal-International, and UA.

The distributor usually guarantees the loan. Each of these distributors, of course, has entered into a number of these agreements, and the banker's and distributor's risk is reduced by this "cross-collateralization." If one picture in the distributor's bag turns sour, profits from a sweater one can offset the loss. Moreover, a bank's participation in an independent production is based mostly on the strength of the distributor, or the credit of some outsider who'll guarantee the loan.

But that's not all. The banker also gets:

- A "completion guarantee"—in the form of cash from the producer or an additional guarantee from the distributor or someone with equally good credit—providing that if the film doesn't come off on schedule, the bank can, if it wants to, get its money out immediately.

- A mortgage on the negative and a "pledgeholder's agreement" with the laboratory holding the negative, giving the banker control of the film and requiring the lab to follow his directions on disposition of it.

- An agreement by the distributor to turn over the income from the picture to the banker until the debt is paid. This income, or "producer's share," is what remains from box office receipts after the distributor takes out his 30% to 50% fee and another 10% for print and advertising costs, which he helps pay for.

Bank lending rates for such loans run around 6% annual interest. Bankers point out that because of the paper work that is involved, and because they don't require the producer to maintain compensating balances with the bank, this rate is comparatively low. Finance company rates, of course, run higher.

- **On His Own**—Not every independent, however, is backed by a distributor. When he isn't, the lab plays an important financing role. For a picture costing, say, \$100,000 to make, the lab will get fees of \$12,000 to \$18,000 for developing the negative, and \$110,000 to \$150,000 for prints. The lab will lend \$20,000 on a black and white picture, and allow \$10,000 in deferments on costs of processing the negative. The producer must guarantee this with the picture as collateral, or with the backing of someone with good credit. Like bank loans, these loans run for an average of 18 months.

For a picture budgeted at \$100,000 for the negative cost, the producer not backed by a distributor will have to raise 50% himself in private loans, usually at

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rates, or for a slice of the picture. The other 50% is financed partly by the labs, partly via deferment of star's salaries, payment for the story, and the producer's own salary. (If the producer has distributor backing, a bank or finance company will lend up to 60% of the budget.)

With a co-production deal abroad, say in England, the producer needs less cash. The foreign producer supplies most of the cast, technicians, the studio, and all expenses abroad. The two split world markets.

• **TV Deals**—In television, the financing system is similar, with the same lending rates. No bank will finance a pilot film, which usually costs up to \$50,000. But once the series is sold on the basis of the pilot, the bank will lend—again with strong safeguards, and generally against a cut of the payments from the sponsor or from syndication.

The sponsor, or national advertiser, in most cases exhibits his film series over a national network; financing such a series parallels financing a movie through a distributor. The contract with the sponsor serves as guarantee to the bank, which here, also, insists on a completion guarantee.

If the series is going to be syndicated, financing is more complicated. Syndicators include such outfits as ZIV, CBS Film Sales, California National Productions, Independent Television Corp.—which just took over Television Programs of America (BW-Sep. 27'58, p156)—and Screen Gems. The syndicator may not only produce but also distribute or sell to individual stations and local or regional advertisers. To do this, the whole series must be completed in advance of any sale—and it takes somewhere around \$1.7-million to make a standard 39-film series.

In this case, the credit of the syndicator is all-important to the bank. Gross revenues of the syndicators are running around a \$100-million-a-year total, Variety estimates, with the top four accounting for half that. Because of the banks' credit demands, the trend is toward bigness; many observers predict the field will narrow to a handful of giants in five years.

As in the movie business, TV has independent producers who hardly ever resort to banks or finance companies to finance their films. One example is Odyssey Productions, Inc., producers of the High Adventure series on CBS-TV. Just getting under way is Producers Associates of Television, Inc., backed by a group of financiers including oilman-industrialist Jean Paul Getty (BW-Jan. 11'58, p58). A good part of the production costs of many of these independents is covered through use of blocked funds in other countries. **END**



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A large metal fabricating plant in Toronto, Canada



A shoe factory in Pittsfield, New Hampshire

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The metal fabricating plant, the shoe factory, and the automotive parts manufacturing plant pictured above, clearly demonstrate the design latitude Butler building components offer.

Each of these facilities presented engineers with vastly different space and load problems. Yet, in each case, Butler pre-engineered components were chosen for the basic structures.

Why? Because the wide variety of Butler components—available from stock—enabled each engineer to design a facility that fitted his exact needs. Equally important, Butler pre-engineered components eliminated much routine engineering—helped create a superior quality facility—quickly and economically.

Butler's clear-span, truss-free design provided spacious, column-free floor space, plenty of unobstructed overhead space for the installation of utilities, conveyors and other equipment. The buildings are easy to ventilate, illuminate, and are economical to cool or heat.

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In Research

Heredity Traced in Heart Disease; Gains Seen in Treatment of Clots

Prospects of tremendous gains in heart research in the months ahead were visible at the annual meeting of the American Heart Assn. in San Francisco last week. Promising progress was noted in the study of emotional and hereditary factors in heart disease and in surgical and medical techniques for treating blood clots.

Researchers agreed that all studies to date show statistical evidence of hereditary tendencies or susceptibility in atherosclerosis, hypertension, rheumatic fever, and many congenital heart malformations.

They stressed that studies have been limited to comparing normal families with those with a history of heart disease; deeper delving is needed into the effects of environment, stress, diet, and way of life.

A vaccine to prevent rheumatic fever could be developed with the same amount of effort that went into the Salk polio vaccine—according to a group headed by Dr. Paul Lembcke of the UCLA medical school. Lembcke feels that the present preventative treatment—by using penicillin to treat streptococci infections—reaches too few children, since many of them fail to show streptococci symptoms. And he says that the characteristics of streptococci infection indicate that development of a vaccine is practicable.

For people who have already suffered heart attacks or strokes, new hopes were held out for the near future:

- Early tests at Sloan-Kettering indicate that it will be safe to treat heart attacks with plasmin, the clot-dissolving enzyme that has been used successfully to treat circulation blocks in the arms and legs.

- Baylor researchers say that strokes do not necessarily originate within the brain, as is commonly believed, and in many cases surgery outside the brain can provide effective treatment.

- Three Minneapolis surgeons have developed a means of restoring faltering heart beat without opening up the chest. This advance on a method first used in open-chest surgery involves introducing a fine wire onto the surface of the heart muscle. Early tests have saved many patients from once certain death by heart block.

Automatic Scanner Counts the Tracks Of Particles From the Smashed Atom

Students of the atom have a valuable new tool in the "nuclear emulsion scanner," which permits virtually automatic study of the tracks left by atomic particles in atom smasher.

In the past, researchers have had to use powerful microscopes for the laborious—and often inaccurate—spotting and counting of the tracks left by the fast-flying particles on special photographic film.

The new scanner—nicknamed Terry by the University of Michigan physicists who developed it—can automatically scan as much film in an hour and a half as a man could in four days. And Terry's accuracy is perfect, while human efficiency falls off drastically in areas of the film where the tracks are numerous.

Terry's eye is a TV camera, peering through a 200-power microscope and shifting to a new, tiny square of the film every 1/60 of a second. Its brain is a specialized electronic computer; its hands are an electronic printer that keeps a running count of the tracks and a plotter that graphs their frequency.

The next step—one that may be taken soon—is to adapt the scanner to the more complex recognition problems of cosmic radiation and the "strange particles" of high-energy physics. Such a step would bring closer the solution of some of the most profound mysteries of nature.

• • •

Hypersonic Wind Tunnel Uses Freezing To Achieve Near-Perfect Vacuum

Wind tunnels for testing hypersonic missiles must develop velocities wholly out of the range of old-style blowers. Vacuums, which can suck gas through a tunnel at immense speeds, are the answer. The more perfect the vacuum, the greater the velocity.

To achieve near-perfect vacuums, a process called cryopumping has been developed for the wind tunnel at the University of Southern California by USC researchers working with Arthur D. Little, Inc.

Cryopumping has another great advantage over older hypersonic test facilities—where tests had to be made with spurts of gas in a fraction of a second. The new system will be able to maintain supersonic and hypersonic flight conditions for as long as 10 hours at a stretch.

Here's how the system works:

Researchers flush all air out of the tunnel, replace it with nitrogen. Then, with mechanical pumps, they remove as much of the nitrogen as they can. At this point, they turn on the cryopump; it is essentially a refrigerator which freezes almost all of the remaining nitrogen gas particles out of one end of the tunnel.

The vacuum vessel becomes a wind tunnel when outside pressure breaks a tiny diaphragm at about the time the cryopump achieves its near-perfect vacuum. Models to be tested are hung in the wind-stream created when gas rushes through the tiny opening.

The tunnel operates continuously, since the nitrogen is constantly introduced through the orifice and constantly frozen out in the vacuum chamber. Before going into the tunnel, the nitrogen is heated electrically. It goes into the chamber at speeds up to 20 times the speed of sound.

Cryopumping's great advantage comes in its ability to go beyond the limits of conventional pumping systems. Pumping efficiency of conventional systems falls off rapidly as the vacuum increases; this is the point where a cryopump goes to work.

The cryopump is unique in that its only moving parts are in the nitrogen freezing refrigerator, which runs on a 50-hp. motor.



Famous test pilot Herman "Fish" Salmon talks about the new Lockheed Electra.

"They smile from ear to ear"

"We've taken dozens of pilots up for demonstration flights on the Electra and they smile from ear to ear over its performance. The same factors that make the new Electra a 'pilot's airplane' bring you new speed, new comfort, new dependability when you travel.

"It's a jet airplane with props—giving you all the power, all the vibration-free smoothness of the jet. Equally important, the Electra is the first airliner with constant speed General Motors Allison Prop-Jet Engines.

"Constant speed engines have the great advantage of running at one speed throughout a flight. For example on take-off, you feel no shuddering, and noise levels are low because Electra's engines are turning at one speed. The work of gaining momentum for take-off is done by the props which take big 'bites' out of the air when the pilot needs power.

"In fact you're off the ground before you know it. This quicker take-off ability means you can enjoy jet

comfort and time savings from present close-in airports...even those with comparatively short runways.

"Electra flies over, under or around adverse weather or traffic 'stacks'. Thanks to its unique prop plus constant speed jet engine you enjoy over 400 mph cruise speed, smoother flight and can depend on arriving as scheduled.

"On approach for landing there's no annoying roar if the pilot applies power to get back on the 'beam'. The engines run at constant speed. The props simply change pitch for a surge of power.

"On landing, Electra's props act like giant 'air brakes'. You stop quickly and surely even on slick runways; and disembark refreshed.

"Our experience includes flying all sorts of airplanes. And we've flight tested the Electra over thousands of miles. But we still smile when we land—the things that make Electra a pilot's airplane, make it a passenger's airplane too!"

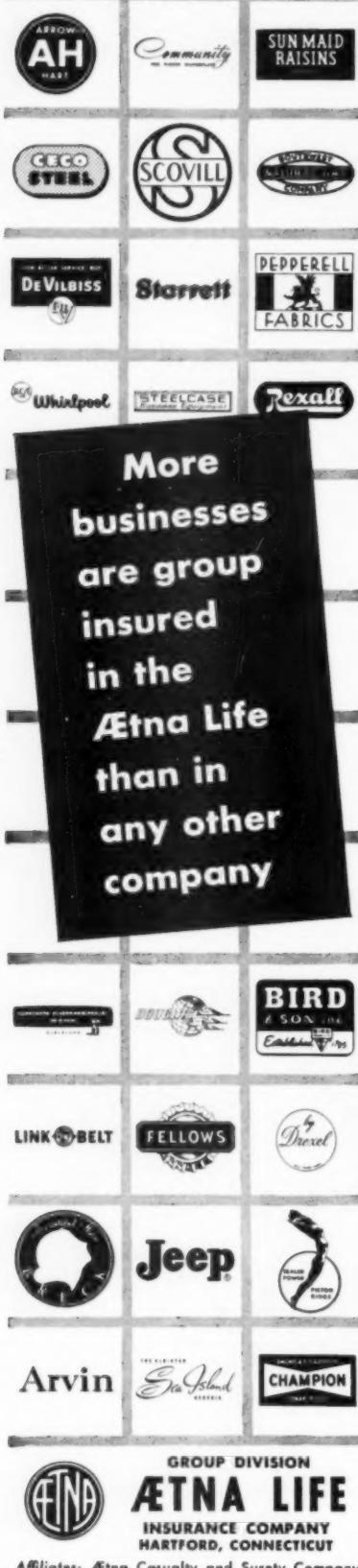
LOCKHEED PROP-JET ELECTRA

NEW LOCKHEED ELECTRA

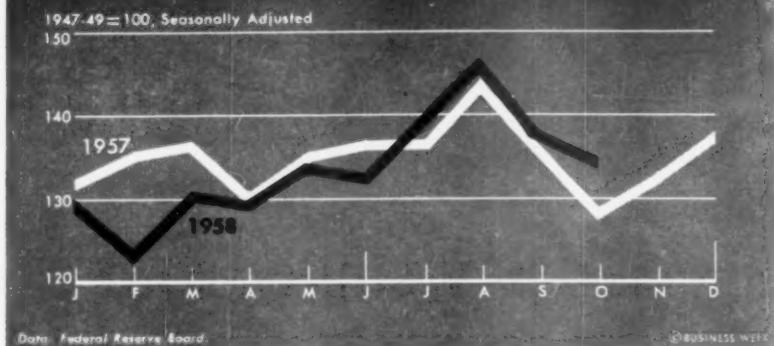
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CHARTS OF THE WEEK



Department Store Sales



Making Up for a Bad Year

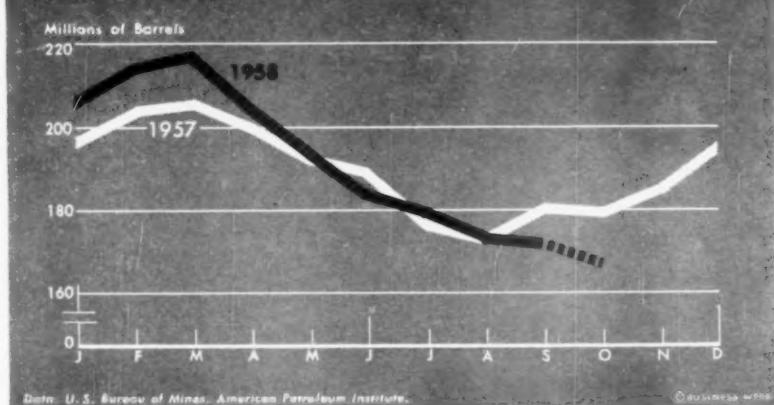
Big-store merchants have been thriving since midyear, with the help of the economic recovery and more favorable retailing weather. Department store sales hit record highs in July and August and have maintained a steady pace this autumn.

Store sales started sliding last September with the onset of the recession. Only a brief Christmas rush broke a monthly pattern of year-to-year declines that lasted until midsummer. In addition to recession troubles, mer-

chants were further handicapped by severe weather last winter, followed by a cool spring that discouraged seasonal buying.

After nine months of slumping volume, business recovery and summer temperatures plus special sales stimulated a shopping spree around midyear that sent sales figures climbing. The sales upturn has been sparked by better demand for such items as home appliances, housewares, sporting goods, hi-fi sets, and men's and boys' wear.

Gasoline Stocks



Keeping Gasoline in Balance

Oilmen have won at least a temporary victory in their two-year battle against top-heavy gasoline stocks. Higher consumption of gasoline since summer, along with lower refinery runs, has cut inventories to about 168-million bbl. in October, 11-million bbl. below the 1957 figure for this month.

Though some petroleum experts regard stocks as still a trifle high, especially in the Midwest, enough of the excess has been siphoned off to steady wholesale prices. Inventories of the motor fuel began to overflow two years ago when refiners stepped up their output to meet Suez-inflated needs. Then



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George Spatta, President, Clark Equipment Company

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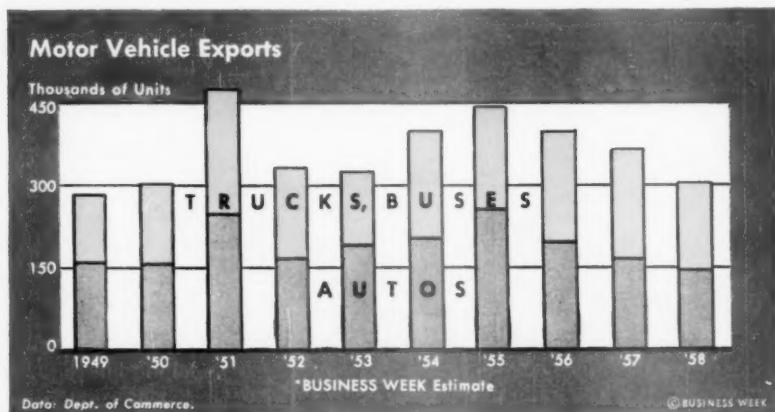
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the recession came along and demand failed to show its usual increase. This sent stocks soaring far above normal seasonal requirements.

Now refiners fear that a cold winter,

together with the industrial recovery, may undo their efforts to control gasoline stocks. As they fill the increased need for heating oils, gasoline will pile up as a byproduct.

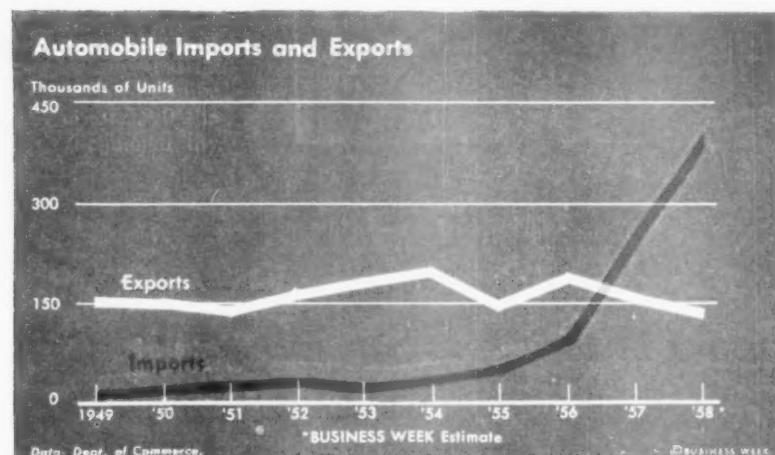


Detroit's Sales Abroad Dip . . .

Detroit is meeting increasing competition from foreign auto makers abroad as well as at home. Exports of U.S. autos this year are running about 10% below last year, when 161,000 cars were shipped; trucks and buses are lagging by more than 25%.

World demand for motor vehicles has expanded steadily since the war,

but the U.S. share of this market has shrunk. One reason is that foreign makers are turning out more autos suitable for overseas conditions. Exports of trucks and buses have been steadier, but here, too, foreign competition and import restrictions are hurting Detroit. However, much of this rivalry comes from U.S.-owned plants abroad.

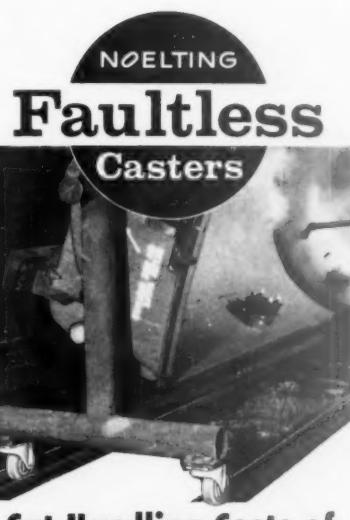


. . . As Foreign Cars Flood U.S.

Imports of foreign cars topped U.S. auto exports for the first time in 1957. This year, imports are well on the way toward the 400,000 mark, more than double the expected export total of about 150,000 units.

The foreign car's climb to popularity has been so rapid that import volume has grown seven-fold in the last three

years. The United Kingdom currently leads the list of exporters to the U.S., trailed closely by West Germany. France, Italy, and Sweden have also stepped up their shipments this year. Though the foreign car has added to Detroit's troubles, the exchange earnings from autos have helped Europe's balance of payments.



Faultless Casters in U-tracks easily guide huge reusable jet engine storage tanks through refinishing and refurbishing operations.



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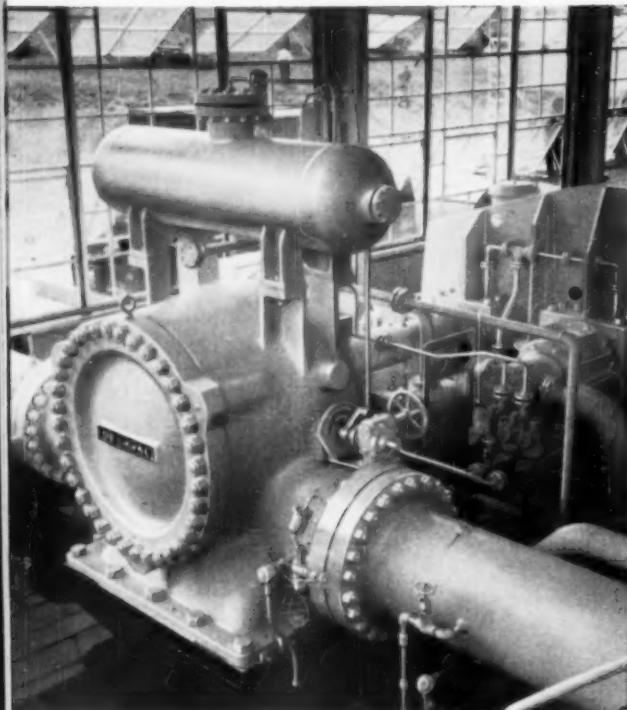
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COMPANIES

GE Bids for Atom Lead

- It urges wide industry program of atom power construction—of boiling water type in which it has edge.
- Proposals bring some consternation among utilities and GE's competitors—and no immediate offers to join in.

General Electric Co., the nation's largest manufacturer of conventional power generating equipment, has launched a hard-hitting campaign to make itself the top builder of atomic power plants.

For two months now, GE spokesmen have been quietly meeting with electric utility executives and government officials to get support for a vast program of atomic power plant construction. These meetings are still going on, but there is very little secret about them now. Probably the staggering proportions of the GE proposal made it inevitable that word of it would leak out before the company planned to discuss it publicly later this month.

Briefly, the GE program boils down to three major proposals.

- It wants industry and, possibly, government help in building a number of developmental atomic power stations, utilizing the boiling water reactor. Cost of these plants would run up to \$138-million. GE wants the utility industry to put up \$111-million of this. GE would contribute another \$7-million, and the company hopes the Atomic Energy Commission will contribute the rest as part of its present development program on atomic power, which is already heavily involved in the boiling water reactor.

- Completion of these developmental plants by 1962, GE contends, will solve so many technological problems that the company will then be able to build plants that can compete with conventionally fueled power plants in areas of the country where fuel is most costly. GE proposes to build three of these plants and sell them in high-cost areas. These, in turn, will provide the technological knowhow needed to build plants that will be economically competitive in some areas by 1965.

- To train atomic power plant operators and gain acceptance by the public and regulatory bodies, GE proposes that the utility industry build 50 or so small atomic power plants. Cost of these plants would run to at least \$200-million. GE said it would be ready to start delivering some of these by 1960.

Obviously, GE would like to see the whole program put through as a pack-

age. But it is not presenting it on an all-or-nothing basis. If particular utilities are interested in one or more of the proposed plants, GE would be willing to build it and to contribute a proportionate share of the \$7-million the company is willing to invest in the whole development program. Also, although GE has not asked AEC for any financial help, it would be willing to help any such utility negotiate with the commission to get its project included in the cooperative industry-government power development program.

- Shock—Utility people, who have been hard-pressed to raise funds for costly and uneconomic atomic power plants, were shocked at the sums GE proposed that they invest in more of the same. GE concedes that neither the developmental plants nor the very small training plants it is proposing will produce competitive power.

GE's competitors in the atomic power equipment trade were also shocked that it is proposing to put all this money into a single reactor type.

Further, some GE rivals simply do not believe nuclear power technology has advanced sufficiently yet to justify an all-out effort to make a single reactor type economically competitive.

- Reactor Rivalry—Some of this sentiment, of course, stems from the competitive situation in the atomic equipment field. The boiling water reactor was conceived by AEC's Argonne National Laboratory, but GE got into the development of this type early. It has built a small boiling water reactor in California, has a large one under construction near Chicago for a group of utilities. No other company has this much background in boiling water reactor construction and operation.

And, as of today, the boiling water reactor has demonstrable competitive edge on other types. The Argonne Lab has proved this reactor can produce considerably more power than its designers had anticipated (BW-Jan.11'58,p38). This unexpected efficiency, of course, means lower power costs on paper. The Argonne scientists figure they can produce power with a boiling water reactor for just over 2¢ per kilowatt-hour.

On the other hand, the Argonne Lab's paper estimate of costs were based

When you buy from U. S. Steel

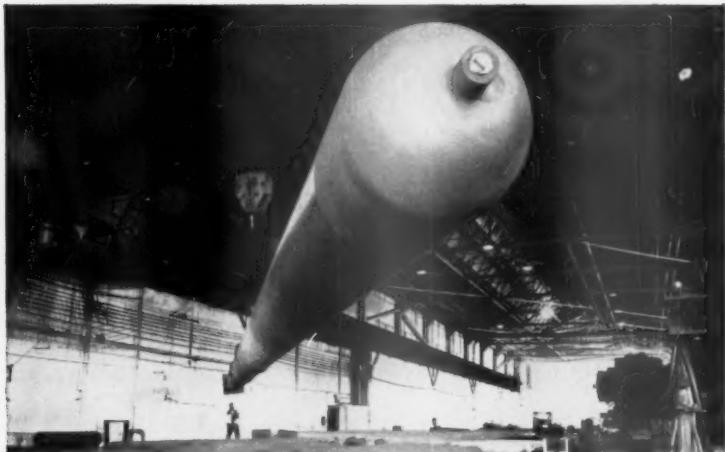


STEEL PLUS IN ACTION: TECHNICAL ASSISTANCE

The impeller for a centrifugal gas compressor whirls at speeds up to 6,000 rpm., and is subjected to tremendous stress. The Cooper-Bessemer Corporation previously made impellers from a type of steel that was hard to weld. A USS metallurgist suggested "T-1" Constructional Alloy Steel. It has a phenomenal 100,000 psi yield point, and can be welded by ordinary meth-

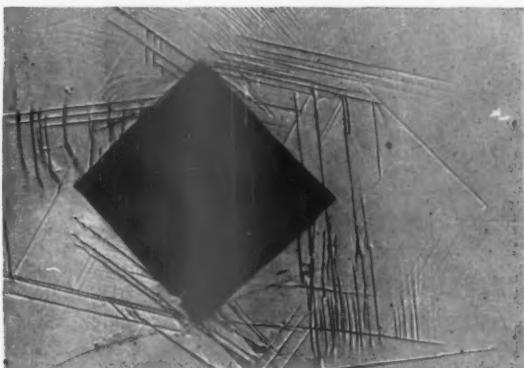
ods, without pre-heating or stress relief. The new "T-1" Steel impellers are easier to fabricate and they can withstand 115% more stress than designed for. Shown here with a "T-1" Steel impeller part are Mr. W. McCracken, right, the Chief Metallurgist of The Cooper-Bessemer Corporation, and J. M. Trutz, USS Service Metallurgist.

you get **STEEL + PLUS**



STEEL + PLUS IN ACTION: FACILITIES

This blimp-like cylinder is headed for an oxygen plant in Illinois. Thirty of these 80-foot giants were made at U. S. Steel's National Tube Division, Christy Park Works, McKeesport. Similar seamless cylinders, with walls up to 3" thick, are able to contain pressure of 10,000 psi. They were practically unheard of until a few years ago when National Tube developed them to meet the demands of new, high-pressure requirements.



STEEL + PLUS IN ACTION: RESEARCH

The black square on this photomicrograph is the impression made by a diamond-tipped penetrator when it was pressed into a crystal of age-hardened steel. The lines and ripples were caused when layers of atoms slipped and wrinkled around the penetrator. U. S. Steel researchers study the patterns in such micrographs to learn what happens atomically when steel is bent, flexed or broken. This helps us to develop new and better steels.



STEEL + PLUS IN ACTION: MARKETING ASSISTANCE

Automobile manufacturers use Stainless Steel for much of the trim on new models. Because it's Stainless, the trim stays sparkling bright—a point that means a lot to new car buyers. To help promote this feature, U. S. Steel prepared posters showing where Stainless is used on various makes of cars, and sent these valuable sales aids to 60,000 auto dealers.

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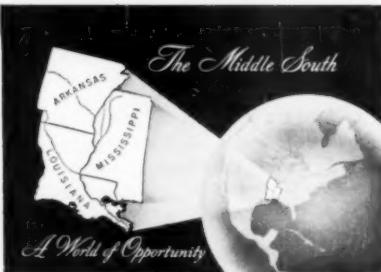
For a closer look at the Middle South, write or visit the **Middle South Area Office**, 211 International Trade Mart, New Orleans—or:

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New Orleans, La.



on experiments with a very small reactor—its designed power capacity was only 5,000 kw. Operating characteristics and other factors affecting plant efficiency can vary widely in small and large nuclear reactors of the same type.

This estimated cost is a far cry from the 5 mills to 8 mills it costs to generate power in conventional plants being built today. But it's a lot less than the announced cost of power produced by any other reactor.

• **GE's Reasons**—There is considerable speculation among both utilities and equipment manufacturers as to why GE came up with its elaborate construction program at this time.

A GE spokesman says simply, "We just decided we had the right reactor, that we knew the problems that had to be licked to make it competitive, and that we had the manufacturing and technical capability to go ahead."

There undoubtedly was more to it than that. Francis K. McCune, vice-president of GE and general manager of its Atomic Products Div., spoke of the program as a chance to "assure world leadership by the U. S." in atomic power development. He also hinted that a step-up in the government's atomic program was imminent.

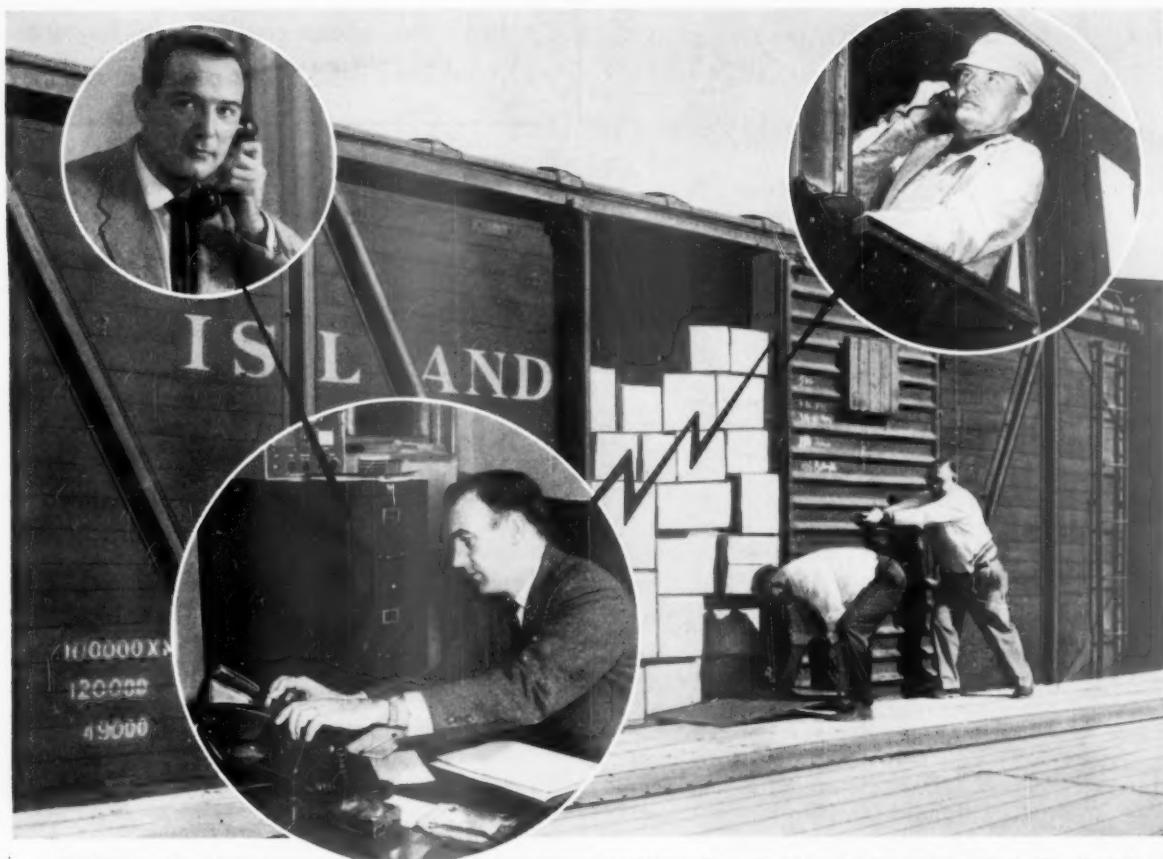
This opinion is shared by other equipment suppliers as well as by many utility executives. The utility people fear such acceleration will be accomplished by broad-scale construction of nuclear power plants by the government. If accepted by industry and government, the GE plan might sidetrack further federal activity in this area.

Again, GE began promoting its plan among utility people shortly after the international Conference on Peaceful Uses of Atomic Energy at Geneva, Switzerland, in September. Reports submitted at Geneva on the boiling reactor attracted considerable interest. Probably as a result, GE sold a large version of this reactor to an Italian company.

A number of utilities admit considerable interest in the construction of the developmental plants. GE calls this portion of its over-all plan Operation Sunrise. But there was little enthusiasm for Operation Knowhow, the proposal to build small training reactors. And there were no immediate offers to join in either phase of the program.

• **Varieties**—The five developmental power plants would test out several varieties of boiling reactors. For example, some would have natural circulation of steam to the turbine, and at least one would employ forced circulation. A separate nuclear-fueled superheater would be employed with still another.

The group would include two plants with electric capacities of 25,000 kw., two of 50,000 kw., and one of 100,000 kw. One of the 50,000-kw. units is already under contract. **END**



W. F. Thompson (lower inset) demonstrates

how communications between shipper, dispatcher and switch engine expedite handling of loaded cars.

*Are the **shippers** benefiting
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to quote W. F. Thompson, Des Moines Division Superintendent

The Rock Island system is a spider web of communications. Short wave radio, direct telephone lines, microwave, teletype—all permit communications between persons anywhere on the railroad within minutes. That's great—for the railroad—you might say. True—but we consider that secondary. The important thing is, shippers and consignees benefit in terms of faster shipments and on time deliveries.

"On the Des Moines division, for instance," says Mr. Thompson, "communications save time in many little ways that add up to faster deliveries. Like in car loading. Previously a loaded car sat idle till a switch engine happened by to pick it up, but now the engine is notified by radio that the loaded car is ready for delivery to its assigned train. This gets your car on the train without those mysterious delays that are so hard to trace."

"Still more time can be saved on occasions when a maintenance problem develops en route. The engineer radios the nearest base station, which immediately telephones the yard ahead to have a crew ready to go to work on the problem the moment the train rolls into the yard."

"Further savings are often realized in terminals. Here delays are eliminated when dispatchers notify engineers by radio which track is cleared for the incoming train."

"There are many other ways that modern communications help us insure on-time performance. The point is, we look on communications not as a convenience to us, but as a service to our customers."

Next time you ship Rock Island, you can be sure we'll do everything we can to avoid delays, speed shipments, and deliver the goods on time.

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In Labor

Hoffa Plans Convention in March—Unless Courts Rule IBT Can't Meet

The International Brotherhood of Teamsters said at midweek that it is going ahead with plans for a special convention—and election—in March, in response to urgings from representatives of nearly 1-million members for a convention "at the earliest possible date."

The assembly will be in Chicago—unless the courts bar it.

In legal action this week, the IBT board of monitors requested U.S. District Judge F. Dickinson Letts to forbid an early-1959 convention of the Teamsters. Although IBT's Pres. James R. Hoffa is pledged to "abide by the ruling of the courts as to whether we can have a convention," associates in Washington believe the legal fight for and against a session to reaffirm Hoffa's right to hold office is "just getting under way."

Meanwhile, last weekend in Toledo, the Teamsters:

- Took highly publicized steps for a "democratic" election in an 8,000-member local by designating a five-man public board to supervise nominations and an election next month.
- Heard Hoffa light into AFL-CIO Pres. George Meany and Walter Reuther, head of the United Auto Workers, using the strongest language he has used against his top critics in labor since IBT's ouster by the federation last year.

Hoffa said that AFL-CIO under Meany "will go backwards instead of forward." Reuther, he charged, "doesn't represent labor at all."

Major Parts Producer and UAW Sign Pact Based on Big Three Terms

The auto parts industry moved an important step nearer to three years of labor peace last week when the Dana Corp., a major parts manufacturer, and the United Auto Workers reached an agreement on a new contract. The pact covers 2,200 Dana employees in Toledo, 3,300 others in plants located in Michigan, New York, Indiana, and Pennsylvania.

The terms, similar to those in Big Three contracts, include:

Wage increases, this year and in 1959 and 1960, of 6¢ an hour for those earning up to \$2.79 an hour or 7¢ for those earning \$2.80 or more, retroactive to Sept. 7; an additional 8¢ an hour for skilled workers, and an increase of 2¢ an hour in the premium pay for second and third shift work.

A cost-of-living payment of 3¢ an hour, retroactive to Sept. 7.

Expanded supplementary unemployment benefits, increasing the maximum payable to a straight 65% of take-home pay and the duration from 26 to 39 weeks; under certain conditions, severance pay will be provided.

MORE NEWS ABOUT LABOR ON:

- P. 92—Sea unions prepare world boycott.
- P. 98—McClellan probers back on the job.

Broadened insurance and welfare benefits, including a \$2,500 increase in accidental death policies, broader Blue Cross coverage, and a new \$450 maximum surgical plan.

Pension increases similar to those in auto makers' contracts (BW—Sep. 27 '58, p133).

Under the agreement, production standards will be reexamined under certain conditions in Dana Corp. plants.

• • •

Retail Clerks Make Pension Mobility

A "Primary" Demand for Contract Talks

Unions are showing more and more concern over pension and health-welfare programs limited to a single employer and his workers. They complain that as employees build up welfare credits, they become too dependent on their employer—and too frozen into jobs.

Last week, the Retail Clerks' International Assn. took first steps toward broad-based pension and health-welfare programs covering its 400,000 members. Delegates at a convention in Chicago endorsed a "primary" demand for pension and health-welfare plans that will allow workers to shift from one employer to another without giving up previously earned credits.

Currently, 70,000 RCIA members in California are covered by an areawide agreement that allows this. Union spokesmen told delegates it's "working very well" to give workers under it "a highly desirable mobility" in the work force.

Similar plans are in effect in a number of industries—including New York's garment industry.

• • •

Rail Workers' Pay Goes Up 8¢ an Hour

Wages of 900,000 railroad workers rose 8¢ an hour, effective Nov. 1, in the final pay increase under a three-year contract negotiated in late 1956. The latest boost in wages will cost carriers an estimated \$180-million a year. Roads say this must be met through higher fares.

Seven cents of the added 8¢ was a deferred increase under the 1956 settlement for 26½¢ in raises (not counting cost-of-living increases) over three years. The other penny was a c-of-l adjustment (BW—Nov. 1 '58, p74), which brought the total adjustment to higher costs to 13¢ an hour since 1956.

• • •

Chemical Workers Get 8¢ Raise

Pay increases ranging from 6¢ to 9¢ an hour and averaging 8¢ will be paid this year and in 1959 and 1960 under a three-year contract negotiated by the Blockson Chemical Co., Joliet, and the International Chemical Workers. The pact covers 400 employees.

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Sea Unions

They threaten to tie up all "flag of convenience" ships, that do not meet union standards.

Omer Becu, general secretary of the International Transport Workers Federation, this week returned to Europe with guarantees of support from American waterfront and seafaring unions that will enable his 7-million-member organization to conduct a "seven seas boycott" against ships operating under Panamanian, Liberian, Costa Rican, and Honduran flags.

The boycott, tentatively set to begin between Nov. 15 and Dec. 15 and to continue for 10 days, is expected to affect about 800 vessels flying so-called "flags of convenience." According to Becu, this classification includes 1,500 ships, mostly freighters and tankers, with about 75,000 nonunion crewmen. Of these, 500 ships are laid up because of the depressed shipping market, and 217 are already covered by ITWF agreements. Details of the boycott are to be worked out in Hamburg, Germany, Nov. 14-15 at a meeting of ITWF's International Fair Practices Committee.

- **Employers Unafraid**—Industry spokesmen do not believe the boycott will have the impact pictured by Becu.

"They couldn't have picked a better time," says an oil tanker operator. "There are too many tankers around now as it is."

Oilmen feel they won't be hit. "We've got our own piers and unloading is largely a pumping job," they say, "so we don't have the longshoremen to contend with." Others point out that a boycott of short duration won't affect ships that are already at sea with a long voyage home ahead.

However, some shipping people, pointing to the worldwide strength the maritime unions can rally, believe that ITWF can put a real crimp in shipping. More important than the immediate impact of the boycott, they say, is the future of the "flags of convenience" on the high seas.

- **Bad Precedent**—The prospective boycott worries many businessmen with international interests. They fear a precedent for world labor action in other fields. But because of the mobility, it is easier to get international union coordination in the maritime industry than in most others. Individual maritime unions have cooperated before, although never on such a scale. This time, however, they hope to have support from other important world labor bodies such as the International Federation of Petroleum Workers, the International Metalworkers Federation,



PANAMA was the earliest foreign country used as a haven for registry of ships to escape U.S. high labor costs and tax treatment. It has 602 merchant ships, 4,358,000 gross tons.

Prepare Worldwide Boycott



LIBERIA now has the fastest-growing merchant marine, second in the world only to Great Britain and well ahead of the U.S.

and the International Federation of Industrial Organizations & General Workers Unions.

• **Test of Strength**—The extent and success of this support will be particularly important as an indication of whether international pressures can be applied in non-maritime fields.

"Our action," says Beccu, "will be an unprecedented concentration of trade union strength."

It may also be the first test of a newly born united front of American maritime unions. The National Maritime Union and the Seafarers' International Union, which have been carrying on a costly feud, have agreed to back the ITWF boycott. NMU Pres. Joseph Curran and SIU's chief, Paul Hall, have been pouring oil on choppy seas, and the boycott will be their first opportunity to try

their hand at getting along together.

• **Organizing Push**—Both events—the ITWF boycott and NMU-SIU cooperation—are expected by waterfront observers to be a prelude to an organizing drive among seamen aboard Panamanian, Liberian, Honduran, and Costa Rican ships—the so-called "Panlibhonco" group—particularly by U.S. unions.

The boycott also represents new and concentrated effort by ITWF to end the transfer of ships to registry in the four small countries for tax, labor costs, and other advantages.

Competition is a key factor to the growth of the Panlibhonco shipping complex. Wage scales are lower—an attraction for American shippers who must compete with foreign shipping.

"We can pay twice the British scale

and still get seamen for half of what U.S. seamen would cost," one American ship operator said.

These advantages have attracted considerable American and Greek capital to Panlibhonco shipping over the past decade and the use of "flags of convenience" has grown rapidly. Liberia, for example, had no deep sea fleet at all in 1947. Today, 975 merchant ships (362 tankers and 613 dry cargo ships) aggregating 10,100,000 tons fly the Star and Stripes of Liberia.

I. Behind the Boycott

Ostensibly, the ITWF boycott is aimed at ships that pay wages below the British minimum—approximately \$120 a month—or at ships where unions find fault with sea safety. But the



HONDURAS (above) and Costa Rica fly their flags over smaller fleets that round out Panlibhonco merchant marine.



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boycott picture is really much more complicated.

ITWF threatened to tie up ships flying "flags of convenience" several times over the past 10 years but didn't. Some observers believe that this new threat, too, will fade like the Flying Dutchman into the mists of the sea. Other maritime experts, however, believe that this time is different.

The unions, they say, can no longer go on ignoring the phenomenal growth of Panlibhonco shipping—taken as a group, the largest merchant marine in the world. Liberia alone is second only to Britain, ranking above the U.S. in tonnage.

"No trade unionist," says Becu, "can afford to close his eyes to the existence of this vast unorganized slice of the maritime industry. . . . The bigger the share of the business the Panlibhonco ships take, the less is left for countries with genuine fleets and organized crews."

• **European Background**—The boycott threat, according to Erling D. Naess, president of the Naess Shipping Co., an American-Dutch firm that operates ships registered under several foreign flags, must be seen against the broader background of European shipping. The campaign against Panlibhonco flags, says Naess, "has been conducted by three groups—European shipowners, European governments, and unions."

The three groups, explains Naess, have been attacking Panlibhonco flag operations for three different reasons:

European shipowners object to the competition and contend it is unfair because of tax advantages. "Shipowners from Europe fan the flames for the boycott," says one American.

European governments are worried about the development of Panlibhonco shipping as a threat to their own merchant fleets. Close to 50% of Panlibhonco ships are American-owned; the other half is largely Greek-owned. Most European maritime nations exercise rigorous control over their maritime services and prohibit the transfer of ships to a foreign flag. The U.S., unions charge, has encouraged the growth of Panlibhonco shipping. The Navy, for example, considers American-owned ships under Panamanian and Liberian registry as part of our war shipping potential.

European shipping, according to one union official, is just beginning to feel the full impact of Panlibhonco competition. This is especially true, he says, since Panlibhonco shipping companies have started to build ships directly for the "flag of convenience" fleets.

Unions attack Panlibhonco operations for substandard wages and working conditions. One ship operator concedes that "quite a few ships have cut wages and are penny-pinching on food



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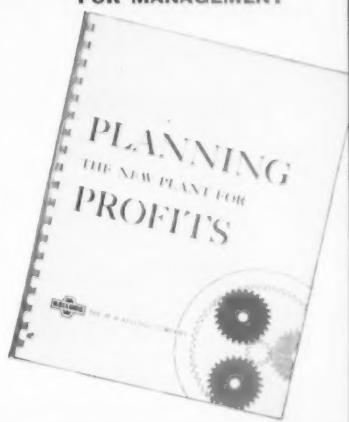
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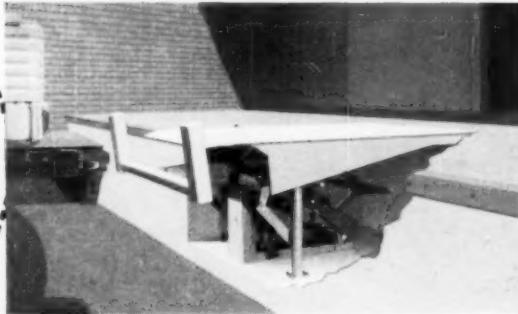
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and working conditions because of the depressed freighter markets. Their crews are worried that if they sign off, they won't get another job." Unions also charge that some operators have violated established maritime traditions for repatriation of crew members who are discharged in foreign ports.

II. Troubled Waters

Wages, working conditions, and safety standards are not much of an issue in the boycott as far as American-owned foreign flag shipping companies are concerned.

"If they conduct a 'selective' boycott limited to ships that don't meet British minimums, we're out of it," says one American operator. "Our pay and working conditions will match any of the European shipping circuit."

But the American unions will not back any boycott limited solely to ships that do not come up to British standards or those of ITWF agreements. They see the boycott as a start toward unionization of crews of American-financed Panlibhonco vessels.

• **Strategy**—This country's seafaring unions apparently see little hope in efforts to block the future growth of Panlibhonco shipping. This will mean fewer jobs for U.S. seamen unless the unions can organize among foreign flag ships. Other ITWF affiliates, however, seem anxious to impress the American government—and their own governments—with the boycott and thereby gain American recognition of the "genuine link" concept. This, in effect, means that a ship should fly the flag of the country that primarily provides the finance. The Americans see little chance that the U.S. will adopt this.

What has the American unions worried is a possibility that boycotted American-owned foreign flag ships will sign contracts with ITWF or its affiliates in Europe. There are 7,000 to 10,000 jobs at stake, by one union estimate.

"What do you do about a ship running under a Liberian flag from Venezuela to a U.S. port with a Cayman Island crew? Caymans are Britishers, and I should think the owner ought to be able to sign up with a British union," says one shipper.

• **National Interests**—This kind of thing is likely to cause considerable friction in Hamburg when the International Fair Practices Committee meets to plan boycott strategy. Without American support, the boycott is likely to wash out. So, the American unions have insisted on a quid pro quo with ITWF. Beccu, reportedly, has agreed to back their position.

The understanding calls for American-owned ships, trading regularly between a U.S. port and a foreign port, to come under the jurisdiction of the



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*Actual case history on file.

American unions. If the ITWF committee agrees, American-owned Panlibhonco ships will come under the boycott ban, even if their working conditions are superior to European standards.

IV. On the Waterfront

Both NMU and SIU have successfully organized isolated Panlibhonco ships. Both are ready to make a substantial organizing effort aimed at the American-owned sector of the Panlibhonco fleet.

- **Rough Spots**—There are, however, stateside complications. The rivalry between SIU and NMU is far from abated, although SIU's Paul Hall and NMU's Joseph Curran have taken to dining out together. The boycott, by itself, is no reason for their present amity. But if they carry off their part in the ITWF boycott without coming to verbal blows, it will smooth the course toward deeper commitments.

A number of unions along the Ameri-

can waterfront—including the powerful 1.5-million-member Teamsters, the independent International Longshoremen's Assn., and the AFL-CIO seafaring unions—will be involved in the boycott. All except the ILA are ITWF affiliates.

- **Unions on Land**—While the seafaring unions have the most at stake in the ITWF boycott, the longshoremen are the key to its success. The Teamsters say they aren't "directly involved" but will respect ILA picket lines when they show up. However, the Teamster boss, James Riddle Hoffa, demonstrated not so long ago his interest in gathering all maritime unions under one protective umbrella.

There is considerable speculation in maritime circles about Hoffa's role in the NMU-SIU rivalry and about the part he might play in the ITWF boycott. The Teamsters recently contributed to a London bus strike through ITWF, so international affairs can be said to be one of Hoffa's many growing interests.

McClellan Back on the Job

Secondary boycotts will be first target as his committee resumes hearings next week. But corruption will continue to draw its heaviest fire.

Next week, Sen. John L. McClellan's racket probers will shift their spotlight to a controversial new target—the secondary boycott.

The Senate select committee is winding up its two-month recess—timed to coincide with the election campaign—to get into a new area that will please many businessmen but raise labor's ire. But, this is only a short-range project for the committee. Its plans through 1959 call for a continued concentration on investigations into labor corruption.

Future McClellan hearings will be affected somewhat by the election results this week and by two other developments. The AFL-CIO executive council met with racketeering once more at the top of its agenda (BW—Oct. 25 '58, p133) and the IBT went to court again to try to end its monitoring.

- **The Hearings**—Specifically, the committee investigation of secondary boycotts is at the request of Sen. Carl Curtis (R-Neb.), who wants a long look at "hot cargo" and other boycott practices.

The hearings are likely to be less lengthy than Curtis hopes, but at least for a week they will cover, among other things, trucking industry problems with the Teamsters.

"Hot cargo" is a secondary boycott device used by the Teamsters. The

practice is already of questionable legality but opponents want the Taft-Hartley law tightened to make sure a prohibition can be enforced.

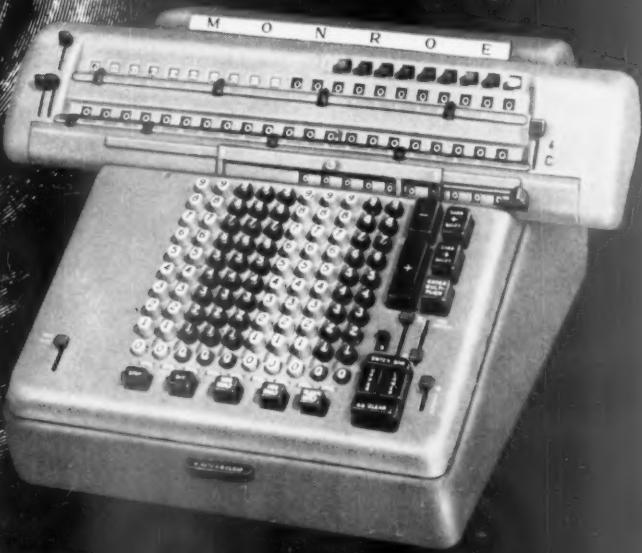
"Hot cargo" is also a target of Labor Secy. James P. Mitchell. He says the Eisenhower Administration's labor bill next year will be aimed at this and blackmail picketing as "two of the most fertile conditions in producing corruption."

- **Union Opposition**—While this probe will hit James R. Hoffa's Teamsters directly, organized labor generally opposes the McClellan committee's concentration on anything but labor and management racketeering. Union power directed at one employer to reach another, the unions say, is not corruption and hence it is outside the McClellan committee's field.

Union opposition is part of the reason why this phase of the committee operations is expected to be limited. The eight-man committee already has hearings planned into other areas of labor and management racketeering.

After secondary boycotts, the McClellan hearings shift to union corruption in the juke box and vending machine businesses. And, here again, the probers will run into Hoffa's Teamsters. Actually, the Teamsters will probably run through most of the hearings as long as the committee operates. END

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INTERNATIONAL OUTLOOK

BUSINESS WEEK

NOV. 8, 1958



Arms control talks with the Russians have reached a critical stage. If there's no agreement on nuclear test suspension during the current Geneva meeting, Washington may drop its present approach to arms control. Under this approach there have been piecemeal technical talks, followed by case-by-case political negotiations.

It's too early to predict the outcome of this round at Geneva. There's a large element of political poker involved. But at midweek the talks were going more smoothly than in the past.

Both Russia and the U.S. are under pressure from world opinion to reach a test ban agreement. The Russians, especially, are on the spot. They have been pushing for a test ban for nearly three years, playing on the world's fear of fallout. If the Russians now refuse to meet the U.S. and Britain halfway, their propaganda is sure to boomerang on them. What's more, the Russians seem concerned now about the risks of additional nations developing nuclear arms.

Washington's position on test suspension definitely is more flexible than in the past. The U.S. no longer insists that a suspension be tied to stopping production of nuclear weapons. Now all the U.S. demands is adequate inspection during a test ban, plus "reasonable progress" in other fields of disarmament. Also, Washington is ready to extend its suspension of testing to two years instead of one—assuming Moscow goes along with a foolproof inspection system.

The new U.S. bargaining position reflects a change in the attitude of the Pentagon and the Atomic Energy Commission on tests. Both agencies still feel that continued testing is important for the development of more efficient weapons. But this year's series of tests has given our scientists enough data to work on for some time to come. So the Pentagon and the AEC are more willing than in the past to see whether the Russians will agree to international inspection and to further steps toward arms control.

— • —

Early next year the Administration will ask the new Congress for a supplemental foreign aid appropriation. Heavy expenditures for special military assistance to Formosa have made this essential.

Even before the extra Formosa expenses turned up, the foreign aid kitty was beginning to run out. Now, according to Washington officials, the aid program will be in serious trouble if new money isn't provided.

— • —

The Administration still hasn't decided how much emergency money it needs. But the total could come to \$1-billion. Officials say they need more than \$600-million for military aid and defense support. Then, they want at least another \$200-million for economic development programs.

— • —

Washington isn't placing any bets on its proposal that the World Bank should have a soft-loan affiliate called International Development Assn.

The National Advisory Council is continuing its study of IDA. It will decide soon how much the U.S. should contribute and on what terms. But, regardless of the NAC decision, the Administration will drop the idea unless

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK
NOV. 8, 1958

it can count on substantial contributions from Western Europe, especially from Britain and West Germany.

At this point it doesn't look as though the British and Germans will agree to provide more than token amounts of capital to IDA. Both London and Bonn now are putting their money into direct loans (on the Export-Import Bank pattern) to underdeveloped countries.

Crosscurrents in the Middle East are worth watching.

Despite the Soviet offer of help on Egypt's Aswan Dam (BW—Nov. 1 '58, p77), Cairo and Moscow are playing opposite sides in Iraq politics. Mideast Communist parties (on Soviet orders) are backing Premier Kassem's independence-from-Cairo policy. Without this Communist support, Kassem wouldn't have risked this week's arrest of Col. Aref, a rival and a pro-Nasser enthusiast.

With British troops out of Jordan, Israel is wary about King Hussein's position. But in case of a coup in Jordan, the Ben Gurion government won't merely checkmate Nasser's moves. It will be equally prepared to counter an Iraq grab for Jordanian territory.

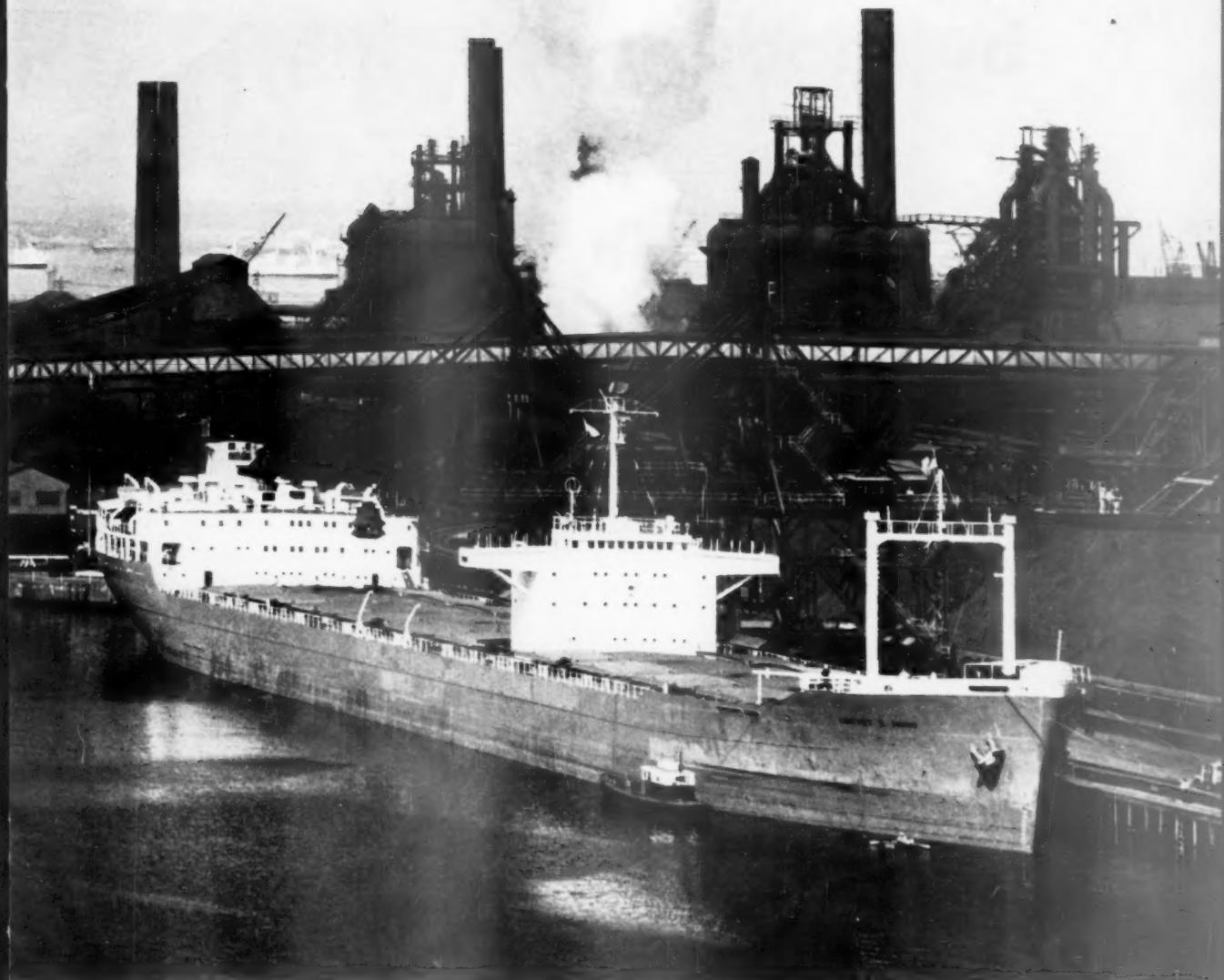
U.S. officials doubt there will be a European summit meeting of Britain's Macmillan, France's de Gaulle, and West Germany's Adenauer. According to European reports, Macmillan plans to call such a meeting soon to iron out French-British differences over the Free Trade Area. In return for French agreement to attach the FTA to the Common Market, so the reports go, Macmillan would arrange a larger NATO role for France.

As Washington sees things, the catch is this: Neither Macmillan nor Adenauer will agree to de Gaulle's NATO scheme—a U.S.-British-French political directorate. Still, it is possible that Macmillan will try to break the logjam over the Free Trade Area by political means. Otherwise the FTA scheme could collapse and trade feuds could start between the six Common Market countries and the rest of Western Europe.

Moscow has swung its first major aid-and-trade deal in Latin America—a \$100-million credit to Argentina for oil equipment. It's offering similar deals to other Latin countries, with Brazil the next target. Moscow's credit to Argentina amounts to a barter deal: A 10-year loan at a low 2½% interest rate repayable (beginning three years from now) in beef, wool, fruit, hides, and linseed oil. "We also are prepared to make purchases in the U.S.—on the same terms," says Argentina's oil negotiator.

Washington is studying ways to counter disruptive Soviet-bloc trading tactics. Officials still say that economic, rather than political, motives underlie Communist sales of tin, aluminum, and textiles to the West. And they hope the "dumping" will taper off. A Soviet agreement to limit aluminum exports to Britain strikes Washington as a good sign. But Washington is preparing for joint Free World action, anyway, to counter cut-rate Communist sales—if they should continue.

U.S. businessmen also are awakening to the Communist trade threat. This week the American Management Assn. staged a down-to-earth briefing session on "Soviet Trade Strategy" in New York City.



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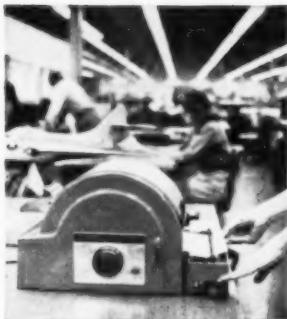
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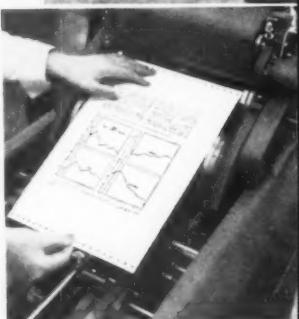
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When the Boss Is a "Foreigner"

Many and tough are the problems that face the top man when he's brought in from outside a company.

There's a story Robert Sommerville, president of Atlanta Transit System, likes to tell on himself.

Soon after he came from the outside to take over the presidency, he overheard one driver telling another: "I had a dream last night. Sommerville died, and the usual eight pallbearers were carrying the coffin at the funeral. Suddenly the coffin opened and Sommerville raised up. He looked at the eight pallbearers and hollered, 'Half of you are fired. Four can do this job.'"

Like any new president who has come to this spot from outside the organization, Sommerville quickly learned to put up with needling anecdotes. After all, they're a tiny part of the tricky tightrope the "foreigner" must walk.

- **Playing by Ear**—There's still no how-to-do-it manual on "how to train a new president." The start is complicated enough for a company old-timer, who knows products, policies, and above all the people. The foreigner, who knows none of these very well, has to make his own rules.

He may come in softly, a glorified trainee under the wing of the "old man." He may come in with a wide-swinging ax. He may have spent months beforehand boning up on figures and personnel records. He may swagger in at the head of a personal retinue "who will get the facts for him."

No matter what his method, the outsider-president always knows he's walking into a tough spot. Companies nearly always take their chief executives from within. Once in a great while, a company has an off-beat reason for going outside. One Eastern outfit had two good men contending for the top spot; the two were personal enemies and each had a substantial following. So the board went outside to find a man who could bang their heads together. Still, almost always the selection of an outsider carries the implication that the board has no faith in existing management. Which means resentment at the best, shattered morale at the worst.

The new man, of course, knows that for all the weight of his title, his effectiveness really depends on the willingness and cooperation of the people he's supposed to boss.

- **Two Kinds**—To find out how the outsider goes about breaking himself in, BUSINESS WEEK reporters talked to a wide batch of outsider-presidents.



"Gentlemen, I know you'll be happy to meet your new boss."

Roughly, they fell into two classes. Some had been brought in to meet a revolutionary situation—the company was in serious trouble. The others were in answer to an evolutionary situation—changing times had created a vacuum at the top.

Carter L. Burgess, who within a single year has faced both situations, as the outsider-president first of Trans World Airlines and then of American Machine & Foundry, describes the difference this way: "It's like being a doctor. If you've got a smashed up accident victim, you don't stop to take histories, you start setting bones. But if the patient has just come in for a periodic checkup, you take lots of time learning about him and getting his confidence, against the day when serious treatment might be needed."

- **Quest for Youth**—A surprising number of outsiders have become presidents because of the age gap resulting from the sequence of depression, war, and boom. Take the case of Marvin K. Collie, a 40-year-old non-banker picked early this year by Houston's National Bank of Commerce.

Pres. R. P. Doherty reached 67, and moved up to chairman. A. D. Simpson, the vice-chairman, was in his 70s. The board wanted a young president, who could hold the job a long time, so it set a stringent rule that the new man could not be over 45. With the majority of the bank's senior officers well beyond that limit, the board looked outside.

A young Eastern banker turned down the job, but made a suggestion. "Pick a man from your own community, since he already knows the people; someone who is already a success, and who has a future beyond the limits of his present job. Then make a banker out of him."

The board took the advice, and picked Collie, well-regarded as a lawyer and tax expert who at 40 was a partner in the state's largest law firm. Collie had two months before taking over. He spent the time studying records, including personnel. This background helped, but the lawyer was still well aware that for some time he was a "high-powered trainee."

- **Treading Lightly**—Just the same, Collie had the job of directing a group of highly competent bankers who might look down on him. Each man he approached individually, expressing his respect and asking for assistance. But at the same time he made it clear that he could and would make decisions. He's functioning as operating head of the bank now, but he is also still learning his people and his problems. He has made few policy changes, and he doesn't suggest other banks go in for the widespread hiring of non-bankers.

Sometimes, the "outsider" has had a chance to learn what makes a company tick before he moves in. Thus J. B. Wharton, Jr., now president of National Can Co., had served the company as a consultant. When Robert S.

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Solinsky—then president, now chairman—wanted a younger man to carry on, he felt that no one in the organization was ready for the job. Wharton was no expert in the can business, but before becoming a consultant he had made a good record as an operating executive at the Martin Co., Trailmobile, and Noma Electric Co.

Last January, Solinsky had called the consultant for an analysis of plant locations, credit and market policies, and diversification plans. In six months Wharton picked up a sound knowledge of the company, and when he was offered the presidency in July, he was "honored, but not exactly surprised." Wharton still "relies" on Solinsky's advice, but he has clearly taken over as chief executive officer, and has already made personnel and organization changes—some of them items he had suggested as consultant.

• **Public Relations**—Sommerville, at Atlanta Transit System, had one of the oddest ways of learning about his new company. A newspaperman from London, he had married an American, moved to Atlanta, and gone to work for a bank. At the same time, the transit system was not only in the red but also was being investigated by the Georgia legislature as a result of some injudicious timing. Atlanta Transit was taken over by a new group, headed by Granger Hansell, of Georgia Power Co. Hansell asked Sommerville to come along as a sort of public relations man. A consulting firm was also called in, and for three months Sommerville did the public relations job, worked with the consultants on a reorganization plan, and acted as liaison with the legislature. Finally, when the legislature O.K.'d the reorganization, Sommerville was named "director of development" to work it out. Two months later he was president.

• **Bird's-Eye View**—He got complete authority, too, although "I knew very little about transit and I did not know figures and basic business procedures." What his earlier chores had given him was a fine chance to spot the good men, the areas of friction, and the inefficiencies.



A few presidents are sent off to bone up

cies. He delegated freely, giving department people considerably more latitude than they had ever had. He could be tough, too: "It was a lot easier simply to fire one man and promote another, than to wait and keep the turmoil going."

Sommerville thinks he got extra cooperation just because he was quite literally a foreigner, and still had a marked accent. His ability to laugh at himself also helped to dispel resentment. The day he was made president, someone scrawled an epithet on the sign on his parking space. A few days later, in a talk to workers, he referred to himself as a "conservative Englishman—or as some of you prefer, a Limey—here to bring this company out of the red and thus insure your jobs."

• **Quick Patching**—In most cases, the outside president has the quick job of patching up the accident victim. There are those who claim that any good professional manager could do the job, but generally, familiarity with the industry is a help.

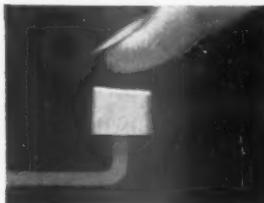
Take the case of Don R. Berlin, who came from a vice-presidency at McDonnell Aircraft Co. to the presidency of Vertol Aircraft Corp. He studied the books, of course, but one key change that he made resulted from an oddity that struck his experienced consciousness as he strolled the shops at Morton, Pa. "I suddenly realized that I never heard a riveting gun. In an aircraft plant, that means you are running an assembly operation, not manufacturing." Sure enough, he found that 80% of the manufacturing was subcontracted, with some of the prices way out of line. Berlin had the plant retooled and the company now does almost all its own metal work.

• **Over-Hiring**—Berlin also noticed that costs were out of line with deliveries. People were standing around half-idle, yet everyone was scheduling overtime, on the idea that otherwise workers would quit. New people were being hired hand over fist "because everyone seemed obsessed with the idea that we had to get a specific share of the qualified engineers and technical people

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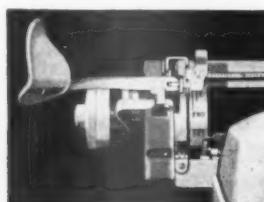
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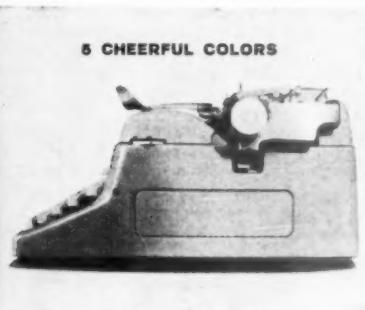
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"Here comes the new boss and his staff"

available." Berlin halted the hiring, slashed overtime. He did lose about 10% of his technical people, but costs got back into line.

• **Brand New Field**—Henry W. Harding had to launch a crash program in a field he was supposed to know almost nothing about when he took over at Laboratory for Electronics, near Boston. His experience was in owning and running a series of small plastics and textile companies.

LFE had been founded in 1946 (with Rockefeller money) with the goal of collecting the best engineering talent to work under ideal conditions of money, time, and equipment. Its research was sound from the beginning, but its finances got way out of whack with millions of dollars lost every year.

Harding took over as soon as he was invited; "There wasn't time to make a thorough analysis first." After a week he told the executive committee that things were even worse than they thought. There was talk of selling the company, but nobody would buy, and finally David Rockefeller put up salvage money.

• **Pruning**—Harding always tries to use existing management—if there isn't too much of it. At LFE, he even dropped two of the four founders.

The company owned three planes, though its volume was only \$7-million. Planes and pilots were dropped, despite loud objections. Expense accounts

were examined for the first time—just the fact of examination caused them to drop, in some weeks by as much as \$3,000. Engineers were persuaded that deadlines were as important as breeding. Reports were brought to a form where executives could see what went on.

Harding admits it's difficult for a non-technical man to swing a broom in a highly technical outfit. One of his methods: "If you want to find out what's wrong, talk to your second and third line people—they're closer to the cause."

In fiscal 1956, LFE lost \$1-million on its \$7-million volume. For the current year, sales will be close to \$25-million, all of it profitable.

• **People Trouble**—For all new presidents, regardless of their own specialties, personnel is always the most rugged problem. New regimes seldom start with extensive firings. It's even rare for a new man to bring in his own staff—few even bring their own secretary. Yet the fact of their being brought in implies a staff weakness, and often they have to find key men outside. These men are likely to have worse personality troubles than the boss. One new president says, "I have even hired new outsiders who were not the best people available, just because they were flexible enough to fit in with a worried group of old employees. You compromise ability with personality and temperament to get the right man for the job."

Burgess of AMF says that no matter what the conditions and what the job, learning the people must come first. "You can pick up a lot of facts and information about the business on a fairly aggressive and short-term basis—but you've got to learn them from the people inside, and you don't get them right or quickly unless you've first established some rapport. In many ways it doesn't matter whether the new president comes from inside or outside—he either gets with it quick or awfully slow. And even a man who came from inside, when he's suddenly sitting in the top spot, can establish a long frozen period."

• **Woe From Above**—The problems of people come from above as well as below. One man brought in to do emergency salvage found his board enthusiastic and cooperative when he stopped the losses. When profits first appeared, they were still cheering. But once it became obvious that the company was back in a solid position, they backed away violently from growth or expansion, arguing that this was no time to rock the boat. Now this president finds his toughest job is pushing the board hard enough so that it won't let the company drift back into the very trouble he was called in to cure. **END**

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A. Z. Mellon, left, supervisor, reproduction department, at Westinghouse jet engine plant, Kansas City, and O. D. Lambirth, section engineer, examine a series of offset paper masters that emerge as a continuous roll at the rate of 20 feet a minute

from the XeroX® Copyflo® 11 continuous printer, background. The Copyflo printer has cut Westinghouse's average cost of preparing a master from 40 to 8½ cents, and saved additional time and money in other paperwork duplicating applications.

Westinghouse of Kansas City Saves \$35,000 yearly

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The Copyflo continuous printer is saving Westinghouse \$35,000 yearly. Recent changes in plant operations that will permit greater utilization of the Copyflo printer are expected to double those savings.

Prior to its installation, the cost of preparing an offset paper master, for instance, was approximately 40 cents. Now it is 8½ cents.

Westinghouse previously could turn out only 200 masters a day. Recently, it prepared 617 in one hour on the Copyflo printer.

Reproduction work at the Aviation Gas Turbine Division in Kansas City consists largely of forms, sketches, engineering drawings, change notices, and specifications. An important part of the volume is the reproduction of operational lineups, of which 100,000 to 140,000 a month are turned out.

Of priceless worth to Westinghouse is the speed with which engineering-drawing changes now reach production lines. Changes are distributed sooner, thus saving tremendously in machining operations.

A Copyflo continuous printer is an automatic copying machine operating on the electrostatic principles of xerog-

raphy to produce dry, positive prints or offset paper master ready for immediate use. The prints or masters—in enlarged, reduced, or the same size—emerge from the printer at the rate of 20 feet a minute on a 2,000-foot continuous roll 11 inches wide.

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In Management

Retired Esso Standard President Takes on SoundScriber's Top Job

Stanley C. Hope, who retired from the presidency of Esso Standard Oil Co. in August, has a new job: He's president of SoundScriber Corp., maker of dictating machines. He takes over from William L. Less, who continues as chairman.

Hope, whose retirement from Esso was mandatory at 65, takes over a company in which Less bought substantial holdings 2½ years ago. Since then, the company has built a new plant, added new branches, and bolstered its sales force—although for the year ending June 30 it was still running in the red.

Day-to-day running of SoundScriber will still be the job of Executive Vice-Pres. Henry J. Servais, but Hope will provide "direction and guidance," especially in arranging sales contacts with big companies.

Another retired executive is coming to a new job, but in a company for which he has worked since 1900. **William V. Wallburg**, 75, who was president of W. F. Schrafft & Sons Corp. for 25 years until 1956, has come back as chairman. His return comes less than two months after I. J. Silverman was made president—the third man to hold that office since Wallburg's retirement. Schrafft is the candy-making subsidiary of Frank G. Shattuck Co.



STANLEY C. HOPE

Loew's to Spin Off Theater Operation, Retain M-G-M and TV Business

Loew's Inc., has finally decided how it will comply with the long-standing Supreme Court decree that its motion picture production and theater ownership must be separated. After much hassling, the board voted this week to spin off the company's theater division. It will set up a separate company owning 102 U.S. and Canadian movie houses and New York City radio station WMGM. Loew's will continue to own Metro-Goldwyn-Mayer producing studios (with its income from the sale of films to television), 49 foreign theaters, and phonograph record and music publishing businesses. The company's \$25-million funded debt will be split 80% to the remaining parent, 20% to the spun-off company.

The decision is a victory for Loew's president, Joseph R. Vogel, and a defeat for Louis A. Green and Jerome A. Newman, board representatives for large financial

holdings. Green and Newman wanted M-G-M spun off and all other properties, including the theaters, kept by Loew's. They garnered only one other vote for their plan, a vote from Joseph Tomlinson, Canadian contractor who led last year's proxy fight against Vogel. The Loew's decision to divorce the theater end of the business follows the pattern established by all the other major motion picture companies. Under court order, the divorcement must be complete by Aug. 31, 1959.

Before the spin-off is effective, it must be approved by the U.S. District Court. And Green and Newman still might decide to take their side to the stockholders by means of another proxy fight.

Missing Stock Shares Balk Merger

Till Hypnotist Extracts the Clue

Management may turn to almost any source for help in ironing out merger negotiations. When Kroger Co., a large mid-continent food store chain, bought a 44-store Texas chain recently, the helping hand came from a professional hypnotist.

When the acquisition, Wyatt Food Stores, bought Evans Food Marts, Inc. a few years earlier, Jack Evans—Evans' president—had been unable to find the certificate for 50% of the stock. Wyatt's owners were willing to let the matter ride, but Kroger's lawyers insisted that either the stock certificate be produced or a bond be taken out, which would have cost some \$3,500.

Evans ran into hypnotist Franz Polgar at a Wyatt employees' entertainment, asked him to help find the certificate. Polgar put Evans in a trance, under which he gave an exact description of the certificate's hiding place—wrapped with his will in a sealed envelope in a safe deposit box in a Dallas bank. The certificate was produced and the merger went ahead.

Management Briefs

The latest innovation in the credit card sweepstakes: Executives can rent dictating machines in one city, use them in transit, drop them off elsewhere, and charge it all on their American Express Co. credit card.

People: Mary G. Roebling, head of the Trenton (N. J.) Trust Co., is a new governor of the American Stock Exchange, and the country's first woman member of a stock exchange board. . . . Ward Harrison is the new president of Allied Paper Corp. He had been a vice-president of Riegel Paper Corp.

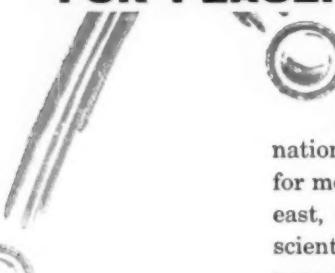
Big, diversified H. K. Porter Co., Inc., is about to pick up another big holding. Stockholders will vote on a plan to merge Porter and Thermod Co., Trenton maker of rubber and textile products, which does a \$40-million-a-year business. Since Porter owns almost half of Thermod and Chinm. T. M. Evans owns more than 75% of Porter, a stockholder turndown seems unlikely. Thermod has a New York Stock Exchange listing and Porter doesn't, but the company says no decision has yet been reached on whether the merged concern will seek a listing.

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NEW ENGLAND ELECTRIC SYSTEM

This Year, Tax Selling Abates

● Wall Street doesn't expect tax selling to threaten the climb of the stock market—partly because prices are so high few investors are suffering losses.

● Neither will this be the season for cashing in on capital gains. Most investors will be hanging on.

● But for those who do try to establish profits and losses for tax purposes, there are some tricky rules.

Yearend tax selling isn't apt to drag down this year's fast-riding stock market.

That happy prediction represents a consensus of Wall Street brokerage houses; they say this year's tax selling isn't likely to reach the huge proportions of other recent years. With the usual period for tax selling now beginning, there's little sign of any such activity.

The reason, brokers report, is that because of the big advance in stock prices, fewer investors are holding losses this year. And many of those who have suffered losses seem willing to ride along with their losers, in the hope that the market's general buoyancy will boost their shares, too.

• **Hanging On**—It looks as if the same applies to investors who have scored handsome capital gains. There's no indication that they will use 1958 to unload, for two main reasons:

- They would have to pay large capital gains taxes.
- New stocks bought with the after-tax proceeds of a sale would have to outperform the old securities to bring the same return. Because of the rapid climb in prices, it's hard to find such issues.

I. Tax Selling's Impact

If Wall Street is right about the drop in the volume of tax selling, the market is freed from a potential drag. Heavy tax selling tends to depress prices. Last year, for instance, when the market was wallowing in a deep decline, waves of tax selling hit every time a rally began. Traders and investors took advantage of each momentary rise to nail down profits and offset some of their big losses.

In a bull market, however, there's very little out-and-out tax selling—the sort where investors just unload their stock and run for cover. Instead, investors seek to strengthen their portfolios by switching securities. In a sound

market, this switching doesn't act as a brake on stock prices; in fact, if it's done aggressively, it often helps raise them.

At present, brokers say even this kind of tax switching is at a minimum. And most of it is being done by individuals, not by the big institutional buyers, who have more influence on prices. One big brokerage house specializing in institutional accounts says it knows of only one insurance company that has made a switch.

• **More Changing to Come**—However, tax switching by institutions is expected to pick up. Many institutions have realigned their portfolios in recent months, mainly to displace their defensive issues. This should continue, and, in addition, as yearend approaches, taxes will also become a bigger reason for switching.

What tax selling does occur will probably concentrate on specific stocks. The list of candidates for such selling is relatively small, and if tax selling is largely concentrated in a limited area, it's bound to hurt. It's sure to trim any rise these stocks might otherwise have in store, and it could even drive them down farther. Already preferred shares are feeling this downward pressure.

• **Squeeze on Bonds**—On the surface, this same downward pressure might be expected to hit bonds—many of which are at least 10% below their year's highs. But tax selling doesn't wound bond prices the way it does stocks. That's because bond buyers normally purchase for the long run. Besides, many of the speculators who lost out in the bond debacle this summer have already taken their losses.

Still, many bond buyers are still carrying losses. Some of them, like many banks, will wait until next year to unload them. But a good number will offset their stock gains by selling bonds.

It's doubtful whether this selling will do much to bond prices. From all

indications, the money accruing from tax sales of bonds—as with sales of stocks—is being reinvested quickly. "Investors don't want to be out of the market now," explains one broker. "They feel prices are going up, and they don't want to be left behind."

Although most investors seem to be holding on to their gains and losses, there's sure to be a certain amount of tax selling. Most of it will be done by the more sophisticated investor, who wants to limit the tax bill he has to pay in any one year. The investor who does some tax selling has some intricate ground rules to remember.

II. How to Juggle Losses

Profits and losses from tax sales are classified two ways, depending on how long the securities have been held. If the securities have been in your portfolio for more than six months, the profits and losses are long-term; if you have owned them less than six months, the profits and losses are short-term.

• **What You Pay**—Under tax laws, you can combine short-term and long-term capital gains and losses in your tax return. But each segment is taxed differently. For example, if you make a net short-term profit, you report it in full and pay taxes on it at your normal rate. But if the profit is long-term, you have two choices:

- Paying a capital gains tax on the net, at a maximum rate of 25%.
- Or reporting half the profit and paying tax on it at your regular rate.

Normally, the first choice is better if your regular income is more than \$18,000—or \$36,000 on a joint return. Investors with lower incomes usually do better to take the second choice and pay at their ordinary income tax rate, which would work out to less than 25% on the total gain.

• **Offsetting Gains**—You can get full credit for capital losses, whether long-term or short-term. You can use long-term losses to offset short-term gains on a dollar-for-dollar basis. Or you can reduce long-term gains with short-term losses—though this might not be advisable, because of the favorable tax rate available on long-term profits.

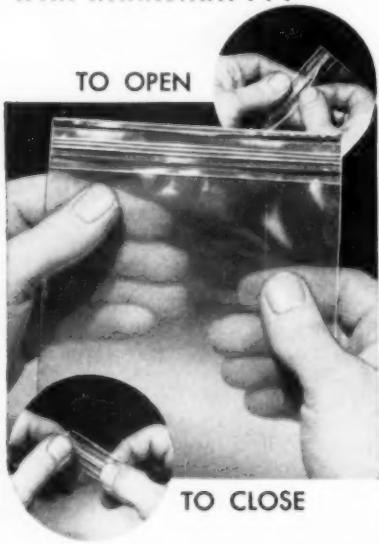
If you end the year with a net loss on securities, you can deduct \$1,000 of it from ordinary income. If the loss is more than \$1,000, the rest can be carried forward as a short-term loss for the next five years, regardless of whether it was short or long in the first place. You can take advantage of this remainder as an offset against

**protect
your products
parts, prints
in the amazing**

ZIP LIP

polyethylene bags

seal with only finger pressure • open easily with thumbnail . . .



reseal/reopen/repeatedly

Thousands of consumer and industrial products can be packaged better and *Sold Easier* in these moisture-proof, dust-proof, Zip-Lip "See Thru" bags. Either printed one or two sides or plain, they are unexpectedly low priced.

What do you package that can be better protected, shown and *SOLD* in the bags that seal, reopen, reseal, repeatedly?

Offices in Many Principal Cities
KENNEDY CAR LINER and BAG CO., INC.
1000 Prospect Avenue, Dept. L
Shelbyville, Indiana



future capital gains and as a deduction from ordinary income at a rate of \$1,000 a year.

• **Pointers**—Any investor, of course, needs careful tax counseling before he sits down with his tax return. But here are some of the things to keep in mind:

If, so far in 1958, you have realized no net capital gains or losses, you'll want to check the advantages of registering long-term gains. If some of your holdings don't look sound, it might pay off in the long run to take a profit and reinvest part of the proceeds. This would create a tax liability, of course, but it might be more important to maintain your portfolio at top value.

At the same time, there might be virtues in registering losses. That way, you could obtain a deduction of up to \$1,000 on ordinary income, and you could carry forward losses.

If you are realizing net long-term gains, you should start scrutinizing your holdings for paper losses to offset them. Many brokers advise that you should try to improve your portfolio at the same time.

If you are realizing net short-term gains, it's even more important to find tax losses, since you pay taxes on short-term profits at normal rates.

If you're holding both short-term and long-term gains, it might be wise to chalk up enough short-term losses to offset your short-term profits. In this one case, short-term losses may do more to reduce your taxes than long-term losses—at least if you don't have enough long-term losses to offset capital gains. For by creating short-term losses, you would cut down on the short-term gains, which are taxed at a higher rate.

If you are strapped with both short-term and long-term losses, some tax accountants suggest postponing taking long-term gains until next year. If you do, the losses become carryovers. You not only get a \$1,000 deduction from this year's tax bill, but you also could ease the taxes on any short-term capital gains you score in the next five years.

III. Some Odds and Ends

In figuring your most advantageous tax deal, there are some technical points to keep in mind. Here's a brief guide to some of them:

Wash sales. If you sell stock at a profit and then buy it right back, the profit is taxed. With losses, the case is different. If within 30 days before or after the sale "substantially identical securities" are bought, no tax loss is allowed. Such a transaction is known as a wash sale; in effect, it's as if the sale never took place. If you want to hold your position, yet establish a loss, you can buy an equivalent number of shares,

hold the double amount for 31 days, and then sell the original stock.

But you can take a loss on bonds by switching from the bonds of one debtor to another. You can even buy bonds of the same debtor if there's a significant difference in interest rates, maturity, or privileges.

Dividend treatment. Dividends are treated as regular income, but they also get two special benefits. For one thing, the first \$50 in dividends is exempt from taxes. On the remainder, you figure the tax the regular way and then reduce the tax by 4% of the total of all dividends received. However, this reduction can't be more than 4% of the year's net taxable income.

Dividend arrears. Because of the 25% maximum tax on long-term profits, upper-bracket investors try to substitute capital gains for dividend income. One way to do this becomes possible when a company is about to clean up dividend arrears.

Suppose you're in the 91% tax bracket and hold 100 shares of preferred that originally cost \$100 per share. Each stock is now worth \$160 because of \$60 in accumulated dividends. If you took your dividend payout of \$6,000, you'd have to part with almost 91% or \$5,460, less \$240 (4% of \$6,000), or a total tax bite of \$5,220. But if you sold the stock at \$160 before the dividend date, you would receive the same \$6,000 in the form of a long-term capital gain. Therefore, the tax would be only 25%.

Short sales. There's a big tax advantage in using short sales, simply because no gain or loss need be reported on short sales until the short position actually is closed. Thus, profits racked up one year don't have to be paid off until the following year.

Say you have a \$2,000 profit in a stock you would like to unload but which you have held only since last month. You could sell the stock short and hold off covering until some time in 1959. This way, you can delay paying taxes on the deal until 1960.

Worthless securities. You don't have to sell worthless stocks to establish a capital loss, but there's no allowance until the Treasury declares them fully worthless. Since it's difficult for many investors to keep track of Treasury action on small speculative issues, they are often deprived of some tax losses. Thus, at times, it's advisable to sell your almost worthless shares, just to make sure of the tax loss.

Yearend sales. To establish a loss this year, you can make the transaction on the last business day, Dec. 31. But to establish a gain, the proceeds must be available on the last business day. This means, based on regular delivery schedules, that the transaction should be recorded no later than Dec. 24. **END**



The new 40-passenger Fairchild F-27, with two Rolls-Royce Dart Mark 528 engines, cruises up to 300 m.p.h., flies up to 1700 miles nonstop.

Rolls-Royce prop-jet engines power new Fairchild F-27



Say the people at Fairchild: "Four considerations—high performance, reliability, passenger comfort and operating economy—led to the selection of Rolls-Royce Darts for the F-27."

The F-27 is one of four Rolls-Royce powered aircraft for U. S. airlines and corporations. Its Dart engines have been proved by more than 5,000,000 hours of airline operation.

Rolls-Royce Darts are among the quietest aero engines in commercial use. Vibration and noise are at a minimum for passenger comfort.

One result: Wherever Dart powered aircraft are put into operation, airlines report an immediate increase in passenger traffic.

Maintenance costs for the Dart are low. Costs, including installation and removal of the engine, amount to less

than ten man-minutes per flying hour. Between-overhaul time for the Dart is now up to 2000 hours—the longest life yet approved for a turbine engine.

Rolls-Royce Darts are now in service or on order with over fifty airlines and twenty other aircraft operators.

Rolls-Royce, Inc., 10 Rockefeller Plaza, New York 20. Rolls-Royce of Canada Limited, Cote de Liesse Road, Montreal, Canada.

In the Markets

Stocks, Spurred by Election Results,

Resume Their Upward Climb

After a period of marking time, the stock market this week broke through into new high ground.

The election results helped to trigger a new push. Brokers reported that most investors considered the Democratic sweep a bullish influence because it indicated that heavy government spending would be maintained. Said one broker: "My clients were already betting that spending would be high no matter how the election turned out, and now they are convinced that they were right."

Professionals think that the relatively narrow trading area in which stocks have moved during the last few weeks was mainly a "consolidating" move. Now, they feel that the next move will be a strong upward thrust. A minority are still looking for a larger correction, but each time the market has shown any signs of weakness, there's been a big rush to buy. It is evident that there's plenty of money available for equity purchases, and as long as this holds true, the market is in a strong position.

In general, stocks are not cheap at their present levels. But those analysts who are predicting an upward move feel that the prospect of increased business activity justifies higher prices.

The optimists say that only an unexpected development, like war or a shift in business expectations, will halt the climb of stock prices. And they think that those who are "fighting" the bull market are failing to appreciate the new prestige that stocks have won.

SEC Accuses Marcus of Manipulating Stocks of Artloom and U.S. Hoffman

The Securities & Exchange Commission last week lashed out at an old foe, Hyman Marcus, chairman of the board of U.S. Hoffman Machinery Corp. and Artloom Carpet Co. (BW—Sep. 13 '58, p.91). SEC accused Marcus and John A. Latimer, a New York stock broker, of manipulating the price of Artloom and U.S. Hoffman stock, and claimed Latimer's brokerage firm was only a front for a Marcus-controlled plot to reap huge profits from the price movements of both stocks.

Marcus heatedly denies the charge. But he has resigned from Van Alstyne, Noel & Co., the brokerage house in which he was a partner. And it's expected he soon will resign from U.S. Hoffman's board to devote his full attentions to Artloom.

The SEC charged Marcus with using a classic device for boosting stock prices, the illegal "wash sale," in which a trader simultaneously buys and sells, in effect to himself, identical stock at identical prices. "Wash sales" usually inflate prices indirectly because they create artificial activity in a stock and generate public trading.

In Artloom's case, the stock jumped from \$3.75 earlier this year to \$26.75, in September. The SEC says that in one period Latimer & Co.'s alleged "wash sales" represented 43% of the volume of trading in Artloom on the New York Stock Exchange.

Stockholders Go All-Out for Plan

For Tax-Free Stock Dividend Choice

Commonwealth Edison Co.'s novel stock dividend plan—which allows stockholders to choose between stock and cash, without making those who elect stock liable for regular income taxes—met an enthusiastic reception this week: 99% of the Chicago utility's shareholders picked stock payments.

Normally, tax rules state that when a choice of cash or stock is given a shareholder, he must pay ordinary income taxes no matter how he exercises his option. But under the utility's plan all the distribution is in stock. If a stockholder requests cash, then the company—as agent—will sell the stock, give him the cash proceeds. Stockholders who elect the stock dividend have no tax to pay as long as they hold it.

Bond Issues Approved by Voters

Won't Hit Market for Some Time

Voters this week cast ballots on a near-record \$2.3-billion in new municipal bond issues, but if past experience is a guide, says an Investment Bankers Assn. study, at least half the approved issues will still be unsold a year from now.

The IBA study, based on the record of the last two years, shows the biggest market impact of the bond elections will come in the next nine months when 40% of the approved issues should come to market.

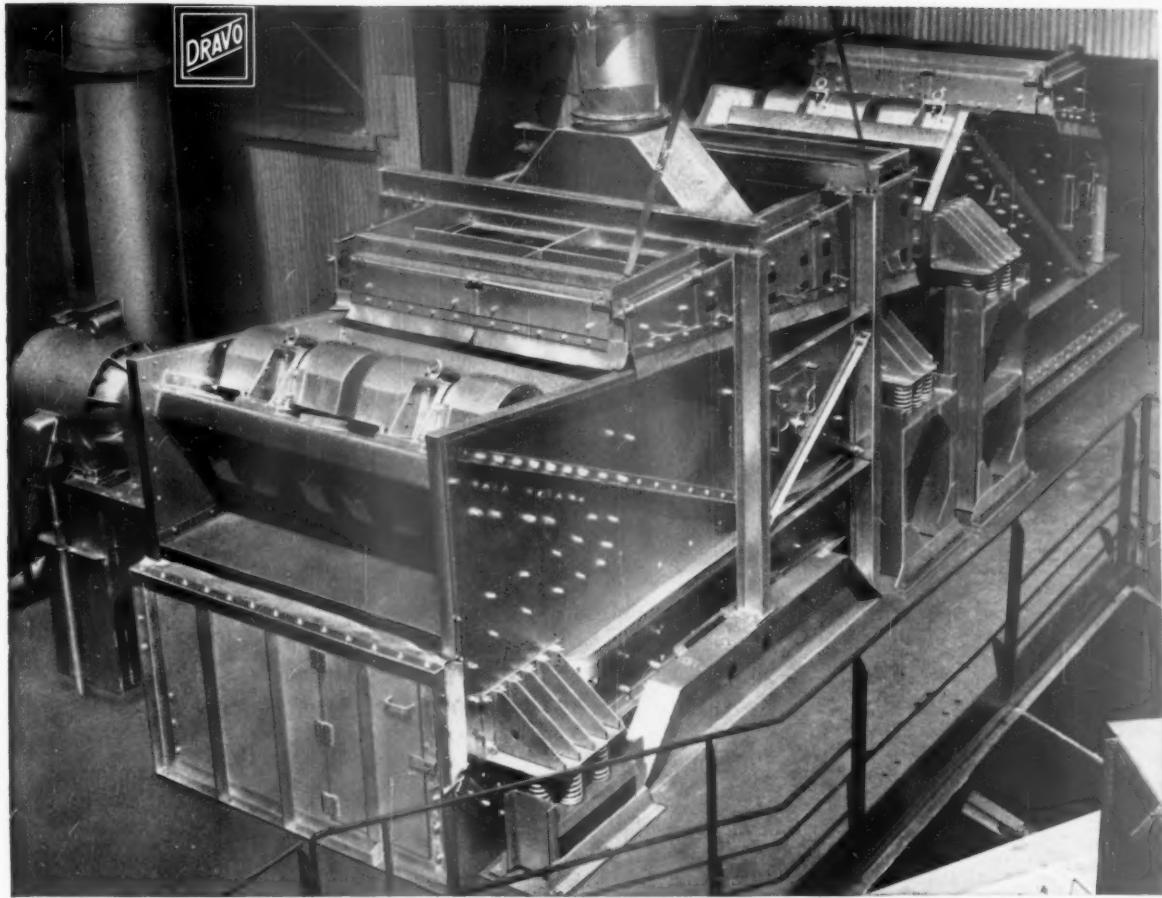
After this initial spurt, however, sales are likely to taper off, with no more than an additional 20% of the issues expected to be sold in the following 15 months.

Holders of F and G Treasury Bonds

Offered Special Exchange Deal

In an effort to pep up its lagging sales of savings bonds, the Treasury this week announced that holders of maturing F and G series bonds—whose sales have been discontinued—can exchange them for E or H bonds without being subject to the \$10,000-a-year limitation imposed on individual buyers. This new regulation, which applies to all holders of F and G bonds except commercial banks, means that for the first time E and H bonds are available in quantity to institutional investors.

It's expected that this swap will be popular with holders of F and G bonds because the E and H bonds yield 3 1/4% as against 2 1/4% for the maturing bonds. Moreover, there's no market risk in E and H bonds, since the Treasury stands ready to redeem them at any time.



Dravo-Schenck improves handling of hot or abrasive materials

At a recently completed sintering plant, this new type of screen and conveyor moves hot sinter material by a unique principle of high speed mechanical vibration.

This method, now applied to a complete line of feeders, screens and conveyors, minimizes equipment wear on difficult materials handling jobs. These units are now being manufactured by Dravo under license arrangement with Carl

Schenck Co. of Germany, Europe's leading maker of such machinery.

Rugged Dravo-Schenck "vibro-conveying" performs well with a variety of materials such as iron and other metallic ores, sinter, chemicals, cement, stone and coal. For more information on Dravo-Schenck "vibro-conveying" equipment or other products and services listed below, write DRAVO CORPORATION, PITTSBURGH 25, PA.

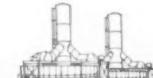
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Blast furnace blowers



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docks & unloaders



dredging



fabricated piping



foundations



gantry & floating cranes



gas & oil pumping stations



locks and dams



ore & coal bridges



process equipment



pumphouses & intakes



river sand and gravel



sintering plants



slopes, shafts, tunnels



space heaters



steel grating



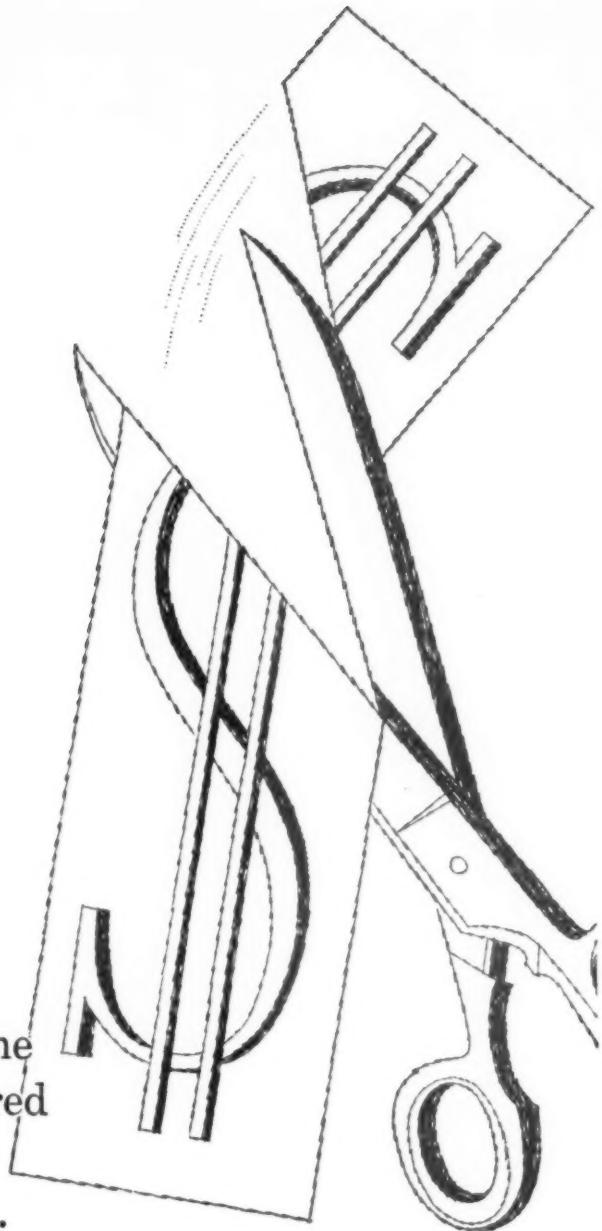
towboats, barges, river transportation

Q.

Western Electric talks
a lot about its cost
reduction programs. What's
there to talk about?

A.

Plenty! By finding new and better ways to make telephone equipment, our engineers pared nearly \$6,000,000 off last year's manufacturing costs... a saving that helped offset rising costs incurred elsewhere by Western Electric and the Bell telephone companies.



Western Electric

MANUFACTURING AND SUPPLY UNIT OF THE BELL SYSTEM

PERSONAL BUSINESS

BUSINESS WEEK

NOV. 8, 1958



If you shuttle to Western Europe fairly frequently, on business or pleasure, it's smart to take stock of the pros and cons of jet travel.

There's no doubt that flying a commercial jet is exciting—especially the first trip over—but you may find the piston driven DC-7C or Super Constellation more to your taste, at least until the carriers iron out some wrinkles in jet operations.

One reason is that the jets now being flown aren't the ones originally designed for transatlantic hops. The truly intercontinental versions of the jets now used by BOAC and Pan American—jets that will be able to span the Atlantic regularly without fuel stops—won't be in service until next year.

For a first-hand picture of just what it's like to ride in a jet, here's a report from a Business Week editor recently returned from a round-trip New York-to-Paris flight aboard the Boeing 707:

- **On the ground**—You hardly notice taxiing into runway position because of the jet's quiet, smooth movement. The flight captain may swing the plane from spur runway into take-off with scarcely a moment to rev up the engines

- **Heading skyward**—You aren't flattened against your seats on the take-off, but there's a sensation of tremendous reserve power. Somehow you feel safer than in a conventional plane. Going down the runway seems interminable though field markers whiz by at over 180 mph. Then comes the steep and steady climb.

- **In the air**—There's no throbbing vibration, and the noise level is minimal. You're going over 600 mph., but you don't feel it.

- **Comfort**—Where you sit makes a whale of difference. In de luxe first class you're in the forward part, over the wing and ahead of the engines; the ride is glide-like and quiet. You're seated in luxurious chairs, roomy enough to allow you to get into the aisle easily without having to step all over your neighbor. There's also a spacious cocktail lounge.

Economy section seats to the rear are rather a tight squeeze for the long-legged. Passengers may get jostled a bit from air turbulence. You can talk easily to friends three or four seats away—it's that quiet (but there is a whirring noise from the engines and from the air's rushing over the fuselage).

- **Views**—Windows are tiny (to add to structural strength) but you still can take in wide views. Over the English Channel in daytime you get a map-like look at both France and England.

- **Landing**—Wheels let down with a frightening, crunchy noise. (Wing flaps work in pairs, one dropping and the other rising, for maximum braking.) Jet engines roar into reverse, just like piston-driven propellers.

No jets, at the moment, quite make their transatlantic schedules. The Comet and present Boeing 707-120 are long-range craft—but usually require refueling stopovers. Severe winds and refuelings can stretch the scheduled 7-hr. flight from New York-Paris to 10½ hrs.

The longer-range 707-320s and DC-8s, due in 1959, will nip this problem. The 707-320s (called the Intercontinentals) will have greater range with larger fuel capacity and more powerful engines (Pratt & Whitney JT4s, instead of the present JT3s).

TWA, following Pan Am, will be using 707-120s in early spring. BOAC will use the longer-range 707-320s (equipped with Rolls-Conway engines) in the spring of 1960.

PERSONAL BUSINESS (Continued)

BUSINESS WEEK
NOV. 8, 1958

If you decide to switch to jets for transatlantic hopping, don't expect to arrive particularly rested after an overnight eastbound flight. Here's why: You depart at 7 p.m., take several hours to get settled and eat. You sleep only a few hours, and then you have arrived, relatively tired—at 8 a.m. in Paris (adding the 5-hr. time differential).

Of course, sleep is no problem on daytime jet flights. Pan Am starts daytime flights to London next week. And its westbound trip is early evening—leaving Paris at 6 p.m., arriving in New York at 9:25 p.m.

Despite the advent of commercial jet service, the traveler who may prefer conventional planes still has a wide choice of de luxe flights aboard a DC-7C, Super Constellation, or slow Stratocruiser. Swankier flights, offering top cuisine, berths, late-afternoon departures, mostly nonstop service, are Air France's Golden Parisienne, TWA's Ambassador, SAS's Royal Viking, Swissair's Super Swiss, and Lufthansa's Senator. Pan Am's and BOAC's plush flights are going to jets.

When is the best time to buy a 1959 model car? Here's what some of Detroit's auto experts say:

If you plan on buying during the model year, your best bet, pricewise, comes right after Christmas—say the first 10 days in January. Reason is that there's a splurge of buying in December, and usually a dearth of customers in January. (People are paying Christmas bills, and girding for the April 15 tax deadline.) In any case, January or February are better than March or later, when the spring upturn brings more customers into the market.

What about waiting a few months until the "bugs" are ironed out of the new models? It's probably wise, say the experts, to wait 60 days after introduction—the bugs will either be out by then, or will remain all year.

The old idea that you can get the best price by waiting until the end of the model run has been fairly well scotched. Heavy discounting by dealers throughout the year has tended to lessen such price advantage.

Donation to charity: Suppose your firm has a fund-raising plan under which you agree to contribute, say, the equivalent of a half day's salary. You receive no compensation for the donated time; instead, the company turns the money over to one or more tax-exempt organizations. In such case, says the Internal Revenue Service, your donation should be included in gross income subject to taxation. (There's no question, of course, about your right to claim the contribution as a charitable deduction.)

Christmas mail: Gifts sent by regular mail to servicemen abroad should be on their way not later than Nov. 20, and airmail packages should be shipped by early December. Domestic postal orders are the best way to transmit gifts of money—they can be cashed at Army and Navy post offices.

Potpourri: Prices of major appliances are due to rise 5% to 10% in the next two or three months, say some large manufacturers. . . . Pennsylvania and New York Central first-class fares have jumped 15%. . . . The Seven Fat Years, by John Brooks, is a lively chronicle of Wall Street—1950-1957 (Harper, \$4). . . . The Federal Fish and Wildlife Service is holding its annual big-game disposal sale. Most popular beast: the buffalo, priced at \$125 for a live yearling, up to \$180 for a 1-ton-plus mature animal, butchered.

DEWEY AND ALMY RESEARCH AT WORK:

Floored by concrete repairs?



Put **DARAWELD** on the job!



The tough, uncertain task of repairing concrete once "floored" plant maintenance men . . . until Dewey and Almy developed the perfect answer. Its name: DARAWELD. The cost: *pennies per yard*.

DARAWELD is a concrete adhesive which literally *welds* new concrete to old, quickly, inexpensively, invisibly. Mixed with cement and water, it can be used for simple spot-patching—or for resurfacing entire sections of factory and warehouse floors.

The new surface is amazingly durable—so strong, in fact, that DARAWELD is commonly used for highways . . . airport runways . . . even on dams and wharves

where strength and water-resistance are essential.

Versatile DARAWELD has many other applications, too. For instance, it can be used to improve the bond of cement mortars . . . to give firmer adhesion and prevent cracking and peeling of wall plaster . . . as a binder in cement paints . . . for a wide variety of do-it-yourself jobs in and around the home.

DARAWELD is another product of the creative research that underlies all Dewey and Almy materials for home and industry. If you'd like more information about this or any of the products listed below, contact our nearest office.

DARAWELD
BONDING AGENT FOR CONCRETE

W.R. GRACE & CO.
DEWEY AND ALMY CHEMICAL DIVISION

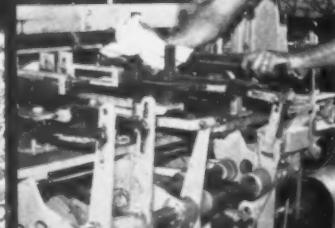


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METEOROLOGICAL BALLOONS • ORGANIC CHEMICALS • ROCK PRODUCTS CHEMICALS • SHOE MATERIALS • SODA LIME • TEXTILE PRINTING PRODUCTS



Mr. E. M. Goddard reports that Hazel Bishop, Inc. uses Scott Wipers around filling lines, bottle labelers, stapling machines . . . and in the removal of reject labels, lipstick smudges from cases, and condensation from lipstick molds. Employees get boxes of fresh Scott Wipers, keep them right at their work stations.



People buy Scott Wipers for many reasons:

Hazel Bishop cut wiping costs 15% by switching to versatile, disposable Scott Wipers!



Hazel Bishop, Inc., Paramus, New Jersey, has used Scott Wipers for two years. Says Mr. E. M. Goddard, Plant Manager and Purchasing Agent: "We first installed Scott Wipers to give employees a strong, disposable wiper that leaves no lint on filling lines and lipstick assembly lines. Now we use them for machine wiping and many other jobs—and have cut wiping costs at least 15% by switching to Scott Wipers." Advantages: less pilferage, no laundry expenses, simplified in-plant distribution, daily disposal of used Scott Wipers. Mr. Goddard adds that Scott Wipers are soft, easy to use, and are credited with maintaining strict sanitation in the handling of "Hazel Bishop Lasting Nail Polish" and "New Formula Hazel Bishop Long-Lasting Lipstick."



Get the full story from your Scott distributor on Hazel Bishop and many other satisfied users of Scott Wipers. Look in the Yellow Pages under "Paper Towels" or write: Scott Paper Company, Dept. BW-811, Chester, Pa.

Maker of the famous Scott paper products you use in your home.
See "Father Knows Best" on CBS-TV.

In Money & Credit

Mutual Savings Banks Continue

Heavy Investment in Home Mortgages

The nation's 519 mutual savings banks are continuing a high rate of investment in residential mortgages, increasing their holdings by \$181-million in September, substantially above the figure a year ago. This contrasts with the investment policies of the life insurance companies, which are cutting back their mortgage commitments (BW—Oct.18'58,p149).

The reason, according to observers, is that savings banks have compensated for rising money rates by buying government-backed mortgages at deep discounts in the national market.

• • •

Treasury Asks Investor Help

On Deficit Financing Problems

Faced with the problem of financing a huge federal deficit, the U.S. Treasury has quietly called on various investor groups to come up with new suggestions that can be put to practical use. According to a Treasury spokesman, "No one likes the deficit, but as long as it is there we have to live with it, so what we want is ideas that can make debt management less of a burden."

At the same time, the New York Federal Reserve Bank has appointed a committee of institutional investors to study "money market problems." This group, whose membership is confidential, will be going over some of the same ground that the Treasury committees plan to cover.

Among the groups studying the Treasury's problem are the Investment Bankers Assn., the American Bankers Assn., and groups from the savings banks and insurance companies. The Treasury explains that the new committees represent a fresh attempt to make "basic reappraisals" of its financing problem. In particular, the Treasury hopes to increase the amount of issues that non-bank investors will buy, thus keeping the deficit from being inflationary.

• • •

Industry Has Enough Assets on Tap

To Put the Brakes on Interest Rates

There has been widespread fear that interest rates, which since July have registered the steepest climb in modern history, are likely to continue rising. But evidence is increasing that they may stabilize:

• Capital spending will not increase sharply enough to require large-scale borrowings by corporations, according to the McGraw-Hill preliminary Survey of 1959 plans (page 23). Even if there is a 5% to 8% increase in spending over present plans, corporations have enough

funds available—mainly from depreciation allowances and retained earnings—to enable them to finance their capital projects with less resort to the securities markets than in previous years.

• Demand for bank credit is proving to be less than seasonal (BW—Aug.23'58,p24). This is because corporations have improved their liquid positions, mainly by cutting inventories and economizing, and have ample working capital.

• Profits are improving, which in turn is providing cash at a faster rate than needed for tax liabilities. Thus, excess funds are building up, which cuts down the need to borrow, and in fact makes corporations a source of short-term funds.

• • •

Mabon Big Board Firm Enters

The Federal Funds Business

Mabon & Co., a New York Stock Exchange firm, has ventured into the federal funds business, a field that has been dominated by Garvin, Bantel & Co., the brokerage house that was disciplined by NYSE for violating regulations on financing loans for carrying government bonds (BW—Sep.27'58,p45).

Federal funds are excess reserves of a member bank that are loaned to another member bank temporarily in need of reserves. Banks borrow these funds in preference to discounting—borrowing—at the Fed. The rate charged on these funds is a sensitive indicator of money market conditions, partly because it reflects marginal supply and demand of credit, partly because lending federal funds is now a profitable short-term trade for banks.

Mabon, like Garvin, Bantel—which intends to remain in business—will act as an agent, not a principal; it will arrange loans, fix rates. The broker's chief profit will come from the other stock exchange transactions that the bank will bring it.

Another brokerage firm, D. H. Blair & Co. is also said to be ready to enter the field. The New York Clearance House Assn. is studying a similar move on the staff level.

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Money & Credit Briefs

The U.S. Bank Holding Company Act of 1956 is gaining popularity as a device to circumvent state laws restricting branch banking. This week, the second largest bank in Wisconsin, Milwaukee's Marshall & Ilsley Bank, asked permission of the Federal Reserve Board to form a bank holding company. Wisconsin is one of the nine states that prohibit branch banking (BW—Oct.11'50,p53).

Bankers are making headway in their long campaign to get the Federal Reserve to allow them to count vault cash as part of their requested reserves. The Fed has requested all member banks to report their daily holdings of vault cash. While officials refuse to comment, it's clear that the Fed is interested in finding out about the effect of putting vault cash into the reserve base.

? Are your wash facilities for the white collar employees as good as those in the shop?



Bradley Washfountains provide the maximum in sanitation and convenience. Cut shows stainless steel 54-in. circular model.

The Large Bradley Washfountains as shown above with foot-control are providing the most convenient and sanitary facilities in thousands of plants the country over.

Why not also provide
Duo-Washfountains for

- ★ Office Personnel
- ★ Management
- ★ Visitors' Rooms
- ★ Cafeterias and Laboratories

There are no faucets to manipulate, being foot-controlled; there is never any unsanitary residue left in the self-flushing bowl—and they provide more economical washing facilities in less space. Stainless steel, and vitreous enamel in white and five attractive colors.



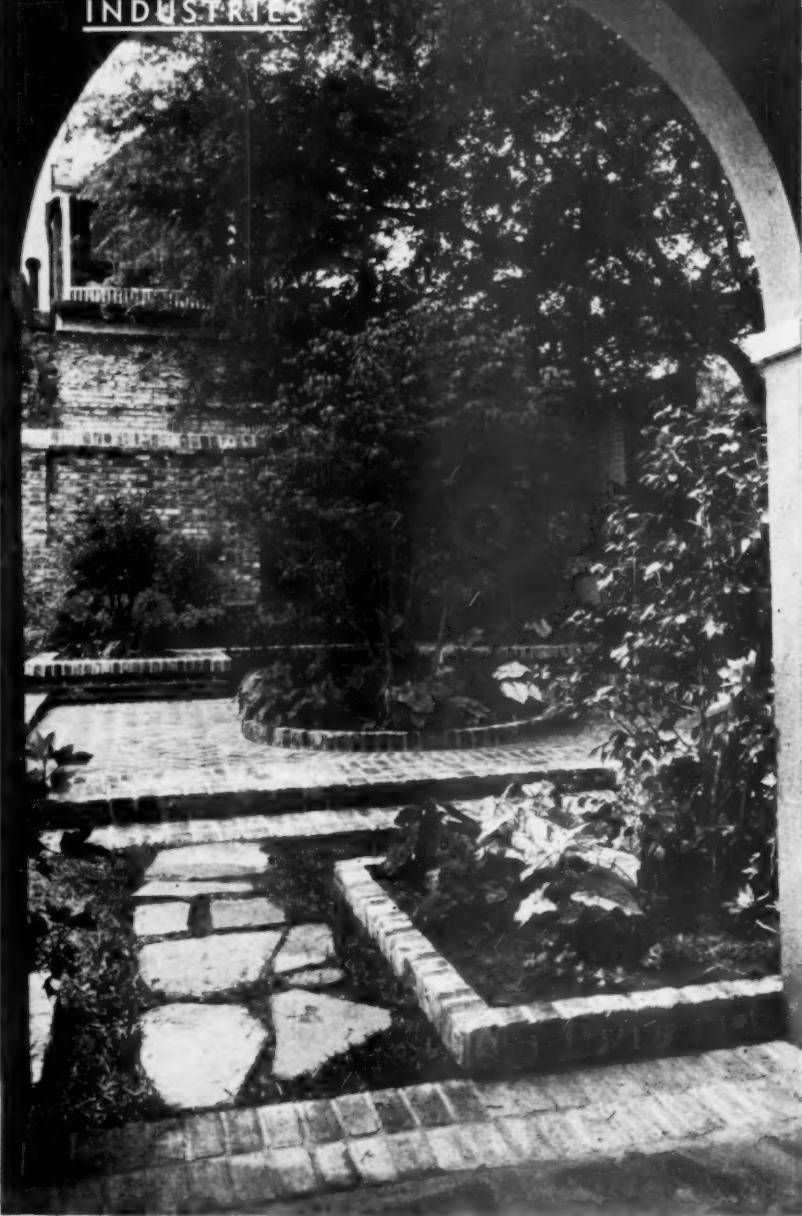
Each Duo serves two, cuts piping connections, and prevents water waste. Write today for complete data—Bulletin K-1204.

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Bulletin K-1204 mailed free on request!

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BANK branch of Citizens & Southern conceals asphalt parking lot behind formal garden.

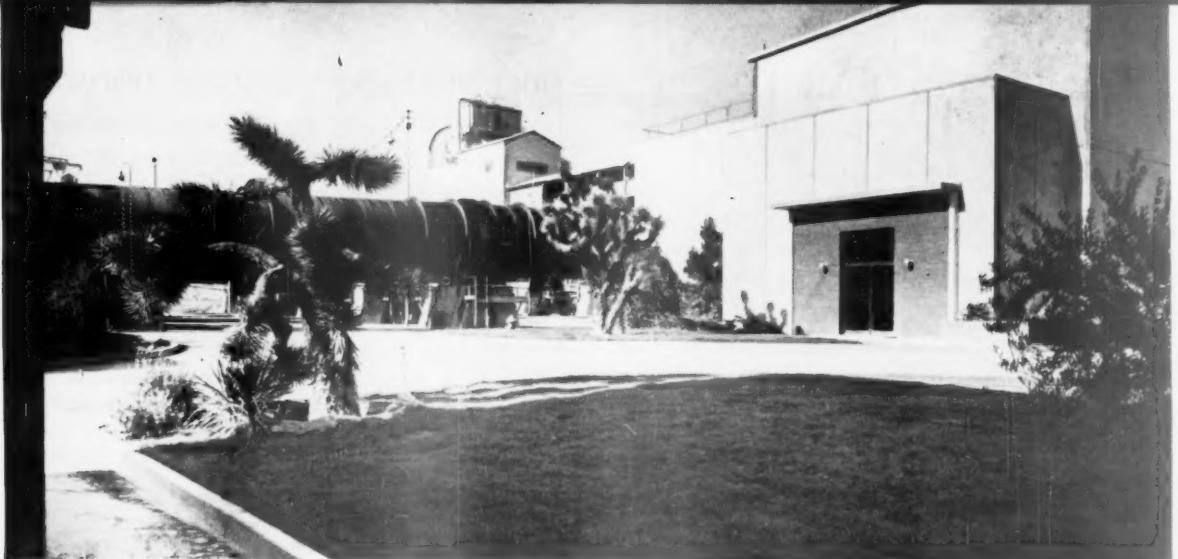
Landscapers Show

When the Citizens & Southern National Bank of South Carolina decided to open a new branch—with parking lot—in an old residential section of Charleston, the screams were many and loud. The idea of an asphalt plot amid the pre-Revolutionary churches and homes roused Charlestonians to write letters to the editor, and turn the proposed branch into what the bank called a "cause celebre."

But when C&S unveiled its plans for the new branch (above), the irate letters were replaced by laudatory editorials. The bank hid its parking lot

behind an old wrought iron fence, planted trees, and converted the back of the building into a formal camellia and azalea garden.

• **Good Public Relations**—More and more, companies are turning to landscape architecture to smooth the ruffled feathers of communities, and to boost employee morale. Just five years ago, U.S. industry spent less than \$40-million a year on trees, flowers, and plants to beautify its premises. This year, it's spending at least four times that, making up a sizable hunk of the \$800-million business done by the coun-



PLANT of Riverside Cement Co. uses tropical trees to help break down local resistance to industry in a residential suburb.



OFFICE of Connecticut General Life (left) sits amid acres of "natural" landscape.

FACTORY of Square D Co. (below) camouflages itself as a botanical garden.



What They Can Do With Plants

try's 12,000 nurserymen. Jobs range in size from a few thousand dollars to a half-million.

Power companies, forced to build substations in residential suburbs, have been prime movers in the trend. General Electric Co. has even published a 32-page book, pointing out that not only is the park-like result good for public relations, but it's cheaper than the alternative of hiding a substation in a fake house-like building.

• **Two-Way Promotion**—A big part of the growth in industrial landscaping can be credited to a concentrated effort

by the landscape architects to go after corporate business. But a lot of the credit also goes to aggressive promotion on the part of the nurserymen who sell the plants. Each year, the nurserymen give "Plant America" awards to top jobs of industrial landscaping. Citizens & Southern took one of this year's prizes, and the other jobs shown on these pages were also among the 10 national winners picked by a jury headed by Milton C. Lightner, president of Singer Sewing Machine Co. and currently president of the National Assn. of Manufacturers.

The other winners, too, have made positive use of landscaping. Riverside Cement Co. of California found a "marked decrease in employee turnover" after the garden went in. Connecticut General Life Insurance Co. attracts birds and small animals by purposely filling its 300 acres with plants giving them food and shelter. And Tupperware Home Parties, Inc., finds its 1,000-acre estate in Florida a real sales builder. The gardens are a regular tourist stop on the Orange Blossom Trail, and each tour includes a demonstration for Tupperware plastic housewares. END

In Business Abroad

French and Italian Companies Set Up

Branch to Compete in Common Market

With Western Europe's six-nation Common Market due to start functioning in less than two months, two of Western Europe's biggest electronics producers decided last week to get together.

Compagnie Generale de Telegraphie sans Fil (CSF), a French privately owned enterprise, signed on the dotted line with a state-owned company, Finmeccanica, Italy's huge group in the electronics and mechanical engineering fields.

The Franco-Italian union calls for joint production in Italy of industrial and classified military electronics equipment—including missile components. The two companies will set up an Italian subsidiary to be called Industrie Riunite Electroniche & Meccaniche (IREM).

The joint venture is designed primarily to strengthen the position of both companies against competition—mainly from West Germany—within the Common Market. Last month, Finmeccanica's wholly owned auto subsidiary, Alfa-Romeo of Milan, signed a sales and production agreement with Renault, France's top auto maker and also a state-owned company.

Germany's Erhard Ruffles Japanese With His Stern Economic Advice

Prof. Ludwig Erhard, West Germany's Economics Minister, has annoyed Japanese trade officials with some stern advice on how Japan should handle its economic relations with the rest of the free world. Erhard's formula for Japan—given to Tokyo at the end of a tour of free Asia—sounds very much like the one the British tried unsuccessfully to press on Bonn just a year ago. Here's the gist of what Erhard said:

- Japanese prices are too low; Japan would do better in Western Europe if it raised its prices.
- The Japanese yen is pegged too low in relation to both the dollar and the Deutschemark; it ought to be revalued upward.
- Japanese management ought to raise wages; this would create a larger internal market, and reduce the country's dependence on exports.

Three British Insurance Companies Put U.S. Offices Under One Manager

To pare costs—and gain a firmer footing in the U.S. insurance market—three of Britain's largest insurance companies will bring their fire and casualty operations in the U.S. under common management. The three—Atlas Assurance Co., Royal Assurance Corp., and Sun

MORE NEWS ABOUT BUSINESS ABROAD ON:

- P. 130—Latin America is no picnic for Pan Am and Panagra, what with some 60 airlines battling to boost passenger traffic.

Insurance Office—will open a new joint office in New York.

British insurance men say that the move was dictated by rising costs confronting British insurance in the U.S. The British companies claim to have paid out more than \$1-billion last year for fire alone. This compares with fire payments of \$898-million in 1956 and \$885-million in 1955. So far this year, paid fire claims have been running 5% above last year.

Argentines Place \$155-Million Steel Order With West Germany in One Deal

A West German steelmaker—August Thyssen-Huette A.G. of Duisburg—has taken a \$155-million order for rolled steel from the government of Argentina. This is believed to be the largest steel export order ever placed.

The purchase calls for delivery to be completed by March, 1960. By next spring, according to West German steel industry circles, Thyssen and Argentinian importers will have worked out specifications as to the types of steel in the order. Tonnage is expected to exceed 1-million tons.

To meet the buyer's demands, Thyssen will probably have to farm out orders to other steel companies in West Germany, France, and Benelux—all members of Western Europe's six-nation Coal-Steel Pool.

Cuban and British Groups Set Up An \$86-Million Ship Construction Deal

To sweeten up this week's presidential elections in Cuba, the Batista government has announced what it claims is the biggest industrial deal ever concluded between Cuba and Britain.

In association with a British group, Cuba is to undertake immediately a shipyard and ship construction program involving a reported investment of \$86-million. Nicolas Reisini, Greek-born financier and president of Robin International, Inc., New York, is credited with having negotiated the arrangement.

To start off, plans call for a new shipyard for fishing and cargo vessel construction at Mariel, near Havana. It will be run by a new company, Mariel Shipbuilding, Ltd., capitalized initially at \$20-million. Two Cuban banks, Banco de Desarrollo Economico & Social and Banco Cubano del Comercio Exterior, will put in 75% of the subscribed capital with the remainder coming from the British group. The British participants are Hawker Siddeley Group, Ltd., James W. Burness & Sons, Ltd., Clarke, Chapman & Co., Ltd., and Brian Colquhoun & Partners.

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from
the
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Dogfight Over Latin Air Trade

THE SANDWICH WAR of the airlines on the rich transatlantic run reached a "cease-fire" last week. The "rebels"—West European airlines serving smorgasbord meals to economy-class customers—bowed to Pan American World Airways' contention that a sandwich is bread, butter, and something to go in the middle, and not a three-course spread.

But in the crazy-quilt airline map of Latin America, what constitutes a sandwich is the least of Pan Am's, or anybody else's, worries. In this vast region, interlaced with a maze of routes, carriers are waging an aerial battle with dogfight determination.

The U.S. carriers, from Pan Am and Panagra (owned 50-50 by Pan Am and W. R. Grace & Co.) to Braniff, are out to beat each other. In turn, they are fighting the Netherlands' KLM, Italy's Alitalia, and other European airlines with Latin routes. On the horizon, too, is the Soviet's Union's Aeroflot, which reportedly is seeking Latin American routes.

• Latin American "Upstarts"—What makes the competition a merry-go-round of troubles is the upsurge of Latin America's own airlines. Most of the 40-odd Latin lines are postwar upstarts, created long after Pan Am and Panagra pioneered the international routes through the region. Some, such as Brazil's Varig, are tough, reasonably large contenders. Others, from Nicaragua's Lanica to Argentina's Transcontinental, are so new on the scene that the old-timers hardly notice them.

But the newcomers are spunky and often spendthrift. They lavish plush service, from champagne to European-style cuisine, on customers. Staying outside the rate-setting International Air Transport Assn. (IATA), some offer cut-rate fares. They also arrange tricky currency deals on tickets. Frequently financed on a shoestring, they lease planes or buy hand-me-downs from U.S. lines to get started. And though in some cases operating in the red, many of the Latin lines are joining their financially stronger U.S. competitors in ordering fancy turboprops and jets to win customers.

• Two Fronts—While Panagra's west coast route through Lima, Peru, is the hottest battlefield, even Pan Am's east coast route is a rough-and-tumble fight.

"We're losing business faster than we're gaining it," says a top Pan Am executive. As a result, the airline last week had to lay off 250 employees at its Miami overhaul base.

For Pan Am, the distress is particularly acute. It was the Latin American Div. that helped build Pan Am's name and finance the Atlantic Div. Today, as

1945:

Only nine
carriers shared
growing traffic
throughout
Latin America—
Pan Am
and Panagra
were top dogs.

TODAY: About 60 carriers, old-timers and upstarts, are fighting for passengers, with cut-rate fares, new routes, and modern equipment.

Here are the new planes* some of these airlines are slated to get . . .

	TURBO-PROPS
JETS	
Aerolineas Argentinas	— 10
Aeronaves de Mexico	— 6
Avensa (Venezuela)	— 5
Braniff	5 9
British West Indian Airways (BWIA)	— 8
Canadian Pacific	— 6
Cubana	2 9
Delta	18 —
Eastern	20 40
Lanica (Nicaragua)	— 2
LAV (Venezuela)	— 9
Lloyd Aero Colombiano	— 3
Mackey	— 2
National	6 23
Panagra	4 —
Panair do Brasil	4 —
Pan American World Airways	44 —
Pluna (Uruguay)	— 3
REAL (Brazil)	4 —
TACA (Salvador)	— 1
Trans-Canada (TCA)	6 71
Trans Caribbean	1 —
Transcontinental (Argentina)	4 —
VASP (Brazil)	— 5
Varig (Brazil)	4 —

*Includes equipment that also might be used on routes outside Latin America.
Data: BUSINESS WEEK Estimate.

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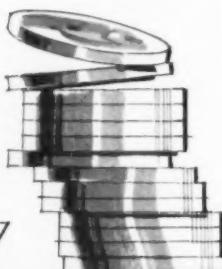
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Pan Am executives ruefully point out, the lucrative Atlantic Div. is carrying the losses suffered by its former helpmate.

I. Pan Am's Battlefields

One hot spot in the passenger war is Caracas, Venezuela.

A year ago, Pan Am was doing a thriving business on the blue-ribbon run to New York. In 1956, LAV, the Venezuelan government's own flag carrier, had begun losing its 55% share of traffic on the same run because of several crashes. Pan Am's 45% share gradually rose to 60%.

Then, KLM obtained a route from the island of Curacao in the Dutch West Indies to New York. That linked up nicely with its four flights weekly from Curacao to Caracas. Now KLM has grabbed 10% of the Caracas-N. Y. traffic, and its share is rising. To keep the customers happy, it serves up plenty of drinks, food, liquor samples for men, and small bottles of perfume for women even on the one-hour hop from Caracas to Curacao.

To protect LAV, the Venezuelan government is holding down KLM's flight frequency and lift capacity out of Caracas. Pan Am is taking its case to the government, claiming that KLM is soaking up the overflow from Pan Am and is asking permission to operate more flights. Meanwhile, KLM has behind-the-scenes leverage—the government's desire to keep on good relations with the Netherlands because of large Dutch investments in Venezuela oil fields.

• **Trouble Spreads**—To the south, Pan Am is feeling the bite of competition from Brazil's REAL, which flies from Buenos Aires through Caracas to Miami and Chicago. At first, REAL's cut-rate fares put a dent in Pan Am's traffic. Now, with two REAL flights converted to the higher IATA fares, Pan Am is taking a licking only on the Monday flight to Miami that the Brazilian line continues to run at discount prices.

That's not all the competition, either. Argentina's new Transcontinental is seeking passenger rights to Caracas.

LAV, bolstered by government subsidies, is trying to make a comeback on the Caracas-N. Y. route. American-owned Guest Aerovias Mexico is hurting Pan Am on the Caracas-Mexico City leg of the milk run to Los Angeles.

Pan Am is striking back to maintain its position. At hot Maiquetia airport, it has installed the terminal's only air-conditioned waiting room; it has just started a fly-now, pay-later plan. Two months ago, it sparked up its cabin service on its east coast route through

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South America by adding a third stewardess and offering free liquor to first-class passengers at all hours.

II. Panagra's Arena

Panagra, on its part, has seen a flood of newcomers in the past few years, all jockeying for west coast business.

Braniff, operating through Lima, flies over the scenic Andes to both Rio de Janeiro and Buenos Aires. It boasts top-quality "Golden Service" on its first-class flights: charcoal-broiled steaks, rock cornish game hen, and bassinets and specially prepared foods for babies. Late next year, it will begin using Boeing 707s—after, as a Braniff official puts it, "Pan Am and others have done the spadework of getting the public to accept jets."

- **Cut-Rate Poachers**—Panagra's real stumbling block has not been Braniff, but the cut-rate carriers that have been poaching on its territory since 1956. One of these is Chile's CINTA, a tiny line that started business domestically by flying from Santiago to the Chuquicamata and Potrerillos copper mines. Then, two years ago, it won rights into New York. It charged a round-trip tourist fare Buenos Aires to New York roughly one-third Panagra's price. It ran fully booked flights twice weekly. Soon, Panagra was flying the same run with many empty seats.

To make matters worse, Honduras' TAN got into the act. This fast-moving line was formed nine years ago by American businessmen, with not much more than a few C-46 Curtiss Commandos. It spread its wings to Central American capitals and to Miami, Havana, Quito, and Lima; soon worked out an interchange with Aerolineas Peruanas (APSA) to carry TAN passengers from Lima on down to Buenos Aires. Finally, it acquired three DC-6s. It sold round-trip tickets Miami-Buenos Aires for \$451.80, against the IATA rate of \$779. Before long, TAN was winning acceptance from U.S. and Latin businessmen (partly because it gave first-class baggage allowances on a tourist ticket).

- **Retaliation**—Smarting from this competition, Panagra snapped back by selling tickets in Santiago at a special peso rate. This cut its prices in Chile by several hundred dollars. Then, Panagra, Pan Am, and other IATA carriers won permission to sell round-trip tourist flights in the U.S. at a special 30-day excursion rate—\$638.40 New York-Buenos Aires.

III. The Rich Market

It's no surprise, when you look at Latin American geography, that so many lines have sprung up. Even before World War II, when Latin countries were far less developed than now, coun-



50,000 kilowatt central station built for
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8	23	23 1/2	23	23 1/2	+ 1/2	23 1/2	23 1/2	23 1/2	0	49%	SouCalEds 2
25	44 1/2	44 1/2	43 1/2	43 1/2	- 1/2	43 1/2	43 1/2	43 1/2	0	24%	SouthCo 1 2/8
121	25 1/2	25 1/2	24 1/2	24 1/2	- 1/2	24 1/2	24 1/2	24 1/2	0	28 1/2	SouIndG 1 6/8
47	20 1/2	21	20 1/2	21	+ 1/2	21	21	21	0	34%	Sou Ry p1
38	51	52 1/2	50 1/2	51 1/2	+ 1/2	51 1/2	50 1/2	50 1/2	- 1/2	50%	Sou Ry p1
17	100 1/2	100 1/2	99 1/2	99 1/2	- 1/2	99 1/2	99 1/2	99 1/2	0	45%	Sweat PS 1
280	163	164	163	164	+ 1	164	164	164	0	36 1/2	Spalding 1/2
240	137 1/2	137 1/2	137 1/2	137 1/2	- 1/2	137 1/2	137 1/2	137 1/2	0	17 1/2	Sparton C9
2	16 1/2	16 1/2	16 1/2	16 1/2	- 1/2	16 1/2	16 1/2	16 1/2	0	4 1/2	Spen Ch
37	25 1/2	25 1/2	24 1/2	24 1/2	- 1/2	24 1/2	24 1/2	24 1/2	0	49 1/2	Spen Kell J
4	18 1/2	18 1/2	18 1/2	18 1/2	- 1/2	18 1/2	18 1/2	18 1/2	0	12 1/2	Spen Ry Rd p
39	59 1/2	59 1/2	59 1/2	59 1/2	- 1/2	59 1/2	59 1/2	59 1/2	0	85 1/2	Sper Rd p
1	38 1/2	38 1/2	38 1/2	38 1/2	- 1/2	38 1/2	38 1/2	38 1/2	0	9 1/2	Spiegel 1
11	51 1/2	51 1/2	50 1/2	50 1/2	- 1/2	50 1/2	50 1/2	50 1/2	0	62 1/2	Spiegel p
17	8 1/2	8 1/2	8	8	- 1/2	8	8	8	0	2 1/2	Square D
1	10 1/2	10 1/2	10 1/2	10 1/2	- 1/2	10 1/2	10 1/2	10 1/2	0	24%	StdBrand
3	11 1/2	11 1/2	11 1/2	11 1/2	- 1/2	11 1/2	11 1/2	11 1/2	0	85 1/2	StdBrd p
20	5	5 1/2	5 1/2	5 1/2	- 1/2	5 1/2	5 1/2	5 1/2	0	6	Std Coll p
2	13 1/2	14	13 1/2	14	+ 1/2	14	14	14	0	3 1/2	Std G&E
80	4	11 1/2	12	11 1/2	+ 1/2	12	12	12	0	53 1/2	STOICal
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17	87 1/2	88	87 1/2	88	+ 1/2	87 1/2	88	88	0	18 1/2	Std Pa
19	38 1/2	39	38 1/2	39	+ 1/2	38 1/2	39	38 1/2	0	36	Std Pa
2	19	19 1/2	19 1/2	19 1/2	- 1/2	19 1/2	19 1/2	19 1/2	0	12	Std Ry
40a	1	18 1/2	18 1/2	18 1/2	- 1/2	18 1/2	18 1/2	18 1/2	0	14	14 1/2 Stan
1	61	61	61	61	- 1/2	61	61	61	0	59	Staufc
32	26 1/2	27	26 1/2	27	+ 1/2	26 1/2	27	26 1/2	0	10 1/2	Sterch
2	105	105	105	105	- 1/2	105	105	105	0	12 1/2	SterlD
19	7 1/2	7 1/2	7 1/2	7 1/2	- 1/2	7 1/2	7 1/2	7 1/2	0	2 1/2	Stever
14	17 1/2	18 1/2	17 1/2	17 1/2	- 1/2	17 1/2	18 1/2	17 1/2	0	12 1/2	Stix 1
14	27 1/2	27 1/2	27 1/2	27 1/2	- 1/2	27 1/2	27 1/2	27 1/2	0	22 1/2	Stoke 1
20	46 1/2	46 1/2	46 1/2	46 1/2	- 1/2	46 1/2	46 1/2	46 1/2	0	37	29
EG 2	210	82 1/2	82 1/2	82 1/2	- 1/2	82 1/2	82 1/2	82 1/2	0	20 1/2	15 1/2 Stoke
pw 1.80	55	34 1/2	35 1/2	34 1/2	+ 1/2	35 1/2	35 1/2	35 1/2	0	15 1/2	10% Stoke
pw 1.85	120	102	102	102	- 1/2	102	102	102	0	48 1/2	37 1/2 Stoke
pw3.90	190	82 1/2	82 1/2	82 1/2	- 1/2	82 1/2	82 1/2	82 1/2	0	25 1/2	20% Stoke
pw3.60	1	7 1/2	7 1/2	7 1/2	- 1/2	7 1/2	7 1/2	7 1/2	0	6 1/2	2 1/2 Sun
pr 1.05e	6	24	24	24	- 1/2	24	24	24	0	11 1/2	9 Sun
io Ch 2	12	40	40	40	- 1/2	40	40	40	0	69	59 Sun
W 3.60a	68	69 1/2	69 1/2	69 1/2	- 1/2	69 1/2	69 1/2	69 1/2	0	53 1/2	39 1/2 Sun
W pf 1	1	22 1/2	22 1/2	22 1/2	- 1/2	22 1/2	22 1/2	22 1/2	0	23	15 1/2 Sun
nav1.60a	163	34	34	34	- 1/2	34	34	34	0	27 1/2	20% Sun
Central 4	10	67	67	67	- 1/2	67	67	67	0	34 1/2	30% Sun
Gas 1.40	9	29 1/2	29 1/2	29 1/2	- 1/2	29 1/2	29 1/2	29 1/2	0	9 1/2	7 1/2 Sui
NG pw5.80	1100	108	109	109	+ 1/2	109	109	109	0	172 1/2	136 1/2 Su
NG pw5 1/2	270	108	108	108	- 1/2	108	108	108	0	40 1/2	31 1/2 Su
prPac 2	73	42 1/2	43 1/2	42 1/2	+ 1/2	42 1/2	42 1/2	42 1/2	0	35 1/2	29 1/2 Su
StaPw 1	21	20 1/2	21	20 1/2	- 1/2	21	20 1/2	21	0	38 1/2	31 1/2 Su
Orthrp 1.60	26	26	26	26	- 1/2	26	25 1/2	25 1/2	0	12 1/2	7 1/2 S
Wstair 1.80	34	17 1/2	17 1/2	17 1/2	- 1/2	17 1/2	17 1/2	17 1/2	0	17 1/2	12 1/2 S
Orwich1.20s	3	45	45	45	- 1/2	45	44 1/2	44 1/2	0	1 1/2	1 1/2 S

25 1/2 18 1/2

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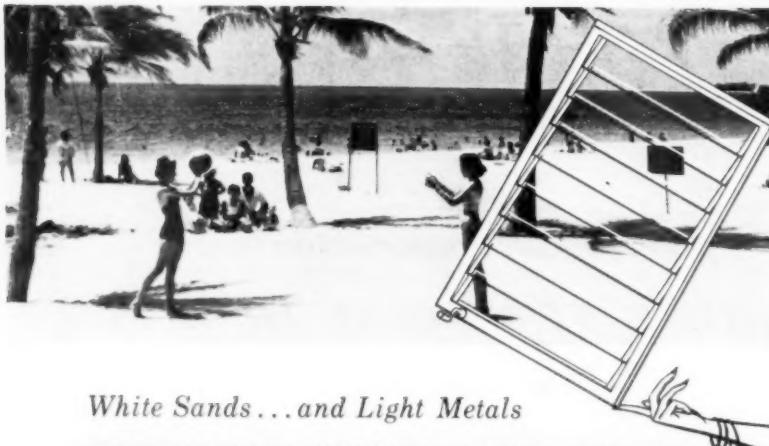


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tries such as Brazil spawned one airline after another. Towering mountains and swampy jungles made railroad construction a gigantic task. But given a small clearing and even a secondhand plane, airlines could get around the countries.

Both Pan Am and Panagra saw a huge, untapped market. Pan Am, for one, established inter-country routes, then helped set up feeder lines such as Costa Rica's LACSA.

After the war, Latin countries raced to get into the international airline business. They felt more closely oriented to the U.S. than to Western Europe—for the first time in their history. Sensitive about national pride, they wanted the prestige of flag-carrying airlines, just like European and other countries. Beyond that, as U.S. domestic airlines modernized, a raft of cheap DC-3s and DC-4s—just right for small landing strips and hardy use—glutted the secondhand plane market.

• **Tit for Tat**—Then came the jostling for air rights, into the U.S. and between Latin countries. Under bilateral agreements, the U.S. and Latin countries would grant reciprocal rights for each others' carriers. But Latin countries did not always act that politely toward each other. For instance, Aerovias Panama (APA) recently was struggling for a foothold on the highly competitive Panama-Miami run. Panama refused passenger pickup rights to Ecuador's Compania Ecuatoriana de Aviacion (CEA). Ecuador retaliated by refusing rights for APA into Guayaquil.

• **Bonanza for Miami**—Meantime, Miami International Airport has become the second busiest airport here, with some 30 U.S., Latin, and European lines flying to and from the islands and the continent to the south. Today, this gateway handles nearly 1-million foreign passengers, mostly Latin Americans, or twice the figure of a decade ago. Air-cargo traffic also is soaring. Pan Am handled 43.3-million lb. during the first half of 1958—8% above the same period last year.

Miami also has turned into a nuts-and-bolts servicing depot for a horde of airlines. Four companies—Aerodex, American Airmotive, ACES, and L. B. Smith—did a reported \$35-million business last year overhauling Latin fleets.

IV. Skies Full of Trouble

Clearly, as even the most optimistic airline executives admit, the battle of the Latin airways can't go on forever.

The Latin lines have had some obvious advantages. As REAL's Miami manager points out, the pay scales for flight and ground crews in Brazil "are a lot lower than in the U.S., though they have the same qualifications." They also can appeal directly to the Latin American's national pride and,

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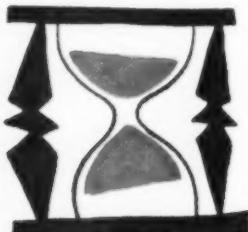
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in many cases, small pocketbook. Probably the lower fares have been a good thing—opening travel to Latinos who knew little about their neighbors or the U.S., forcing U.S. lines to dress up their somewhat stodgy service.

But the plethora of new airlines faces all sorts of troubles. While some, such as TACA—owned by New Orleans' Waterman Steamship Lines—provide daily Viscount service around Central America, others have barely enough equipment to maintain international schedules. Quite a few lack modern radar equipment, and also have frequent, little-publicized crashes. All too many live off sizable, long-term handouts from governments—Chile, for example, is backing LAN airline to put it in the race. And a handful are simply heading straight for bankruptcy.

- **Small Potatoes**—Beyond that, Latin America, though generating far more traffic than it did five years ago, is still small potatoes, compared to Western Europe. U.S. tourists spent only \$36-million in South America last year, against \$600-million in Europe.

Then, with riots and revolutions still plaguing Latin America, many carriers get more headaches from Latin politics than from Latin airline competition. The wave of troubles earlier this year—Perez Jimenez' overthrow in Venezuela, Rebel Leader Fidel Castro's planned general strike in Cuba, and the stone-throwing at Vice-Pres. Nixon—cut sharply into airline revenues.

In addition, it will take more business connections and skill than many Latin lines can muster to finance their way into the jet age. Brazilian lines, for one, have \$55-million worth of jets ordered. Even with financial help from the plane makers and Export-Import Bank loans, this outlay will help squeeze Brazil's already tight dollar shortage.

To top it off, there's no place to land jets in Brazil except at the new jungle capital, Brasilia—and other countries have this same problem.

- **Merger Is Out**—One answer to all this competition is a broad merger of non-IATA carriers into one company or conference. Though much discussed, this solution seems far off. Another idea, which makes good sense, is greater teamwork between two or three lines. Nicaragua's Lanica, reportedly controlled by Dictator Somosa, is working closely with TACA. In Mexico, Compania Mexicana de Aviacion, S.A. (partly owned by Pan Am) and Aeronaives de Mexico, S.A. (owned by ex-Pres. Alemán) seem to be edging toward an informal merger deal.

As for Pan Am, which expects no letup in competition, one official says: "We've just got to develop more business from customers wanting to fly with a more efficient outfit." **END**



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What the Voting Really Showed

The U. S. has managed to get along for four years with the federal government divided between a Republican President and a Democratic Congress. So there is no reason to cry havoc because the voters in Tuesday's election decided to continue that awkward arrangement.

Nevertheless, it's probable that the next two years will subject the split government in Washington to far more strain than the previous four years. It will take a lot of statesmanship in both political parties—and more than a little luck—if we are to avoid the kind of stalemate that so often accompanies the division of responsibility.

It will be easier to prevent such a deadlock if both parties take a careful look at Tuesday's returns and profit by the lessons that can be learned from them.

For the Republicans, one thing should be painfully clear: The party as such is not maintaining nationwide appeal to the voters. Even with an enormously popular President in the White House, the Republican Party has lost ground steadily for the last six years, and it is now back just about where it was in the dismal days of the mid-Thirties. Even Vermont is no longer in the safe column. The exceptions to the trend—notably Rockefeller's smashing victory in New York—only underline the point.

And this year, the diehards of the party can take no refuge in their traditional explanation for defeat—"lack of vigorous leadership" or failure of the candidates to fight hard enough. The campaign strategy adopted by Vice-Pres. Nixon and Pres. Eisenhower has deprived the party's right wing of even that solace. It is by no means clear that Eisenhower's fighting speeches changed any votes, but neither he nor Nixon can be accused of failing to get out and fight bare-knuckled for their party.

As a matter of political realism, the conservative Republicans also must face the fact that they underestimated the strength of the labor unions and overestimated the sentiment in favor of curbing union power. The defeat of right-to-work legislation everywhere it was on the ballot except in Kansas demonstrates that.

For both Republicans and Democrats, there is another broad conclusion evident in the returns: The tradition of party regularity and party loyalty has lost its hold on voters all over the country. Ticket-splitting has become almost the rule rather than the exception. The public will respond to a strong personality who runs his own campaign regardless of what party label he happens to carry.

Looking ahead to 1960, the Republicans can take comfort from the fact that they have two strong possibilities for the Presidential race—Nixon the

seasoned campaigner and Rockefeller the shining new face on the political scene. But the Republicans have to ask themselves if they are satisfied to be a minority party more or less permanently—and, if not, what they intend to do about it.

The Democrats now face the prospect of going into Congress with a majority so large that it actually is embarrassing, and that includes a few rather weird characters swept in by the national trend. It will be hard for the leadership—Speaker Rayburn and Sen. Johnson—to keep such a top-heavy majority in line. And yet if they fail to continue the working arrangement with the White House that has been in force for the past four years, the Democrats may get the blame for any troubles that beset the country.

In a very real sense, both parties have a trying two years ahead of them. And the independence of the voters all over the country makes it plain that the way each party deals with its problems will be a crucial factor in 1960.

Brighter Outlook

There are encouraging signs in McGraw-Hill's report on plans for investment in 1959 (page 23).

What's behind the figures, in this case, is probably more important than the figures themselves. The survey, made by McGraw-Hill's Dept. of Economics, shows that business plans to invest only a bit more— $\frac{1}{2}$ of 1%—in 1959 than in 1958. Moreover, the key manufacturing industries are still sliding off on investment. They plan to spend 3% less.

But, for several reasons, it's likely that spending plans will turn up as we go through the year. This survey, made in October, caught some companies before they had made up firm budgets for 1959—and some expect their final budgets will show increases. With business as a whole beginning to swing up, it's likely that investment plans will also swing up.

Finally, a rising curve on sales and profits may well lead companies to spend more money for improving their facilities. The rise in sales seems probable—manufacturing companies covered in this survey expect their sales to climb an average 9%.

We do not yet have any promise that capital investment will shoot back to the high levels of 1957. But for executives and economists looking well ahead, there are reassuring conclusions. We are well beyond the point where sagging investment was a brake on the economy as a whole. That weight is gone now. And the slight upturn in business plans may actually add a little life to business prospects.

In the longer run, we may be seeing the first signs of a substantial turn upward in investment plans—and that is a must if the U. S. economy is to begin to grow healthily again.



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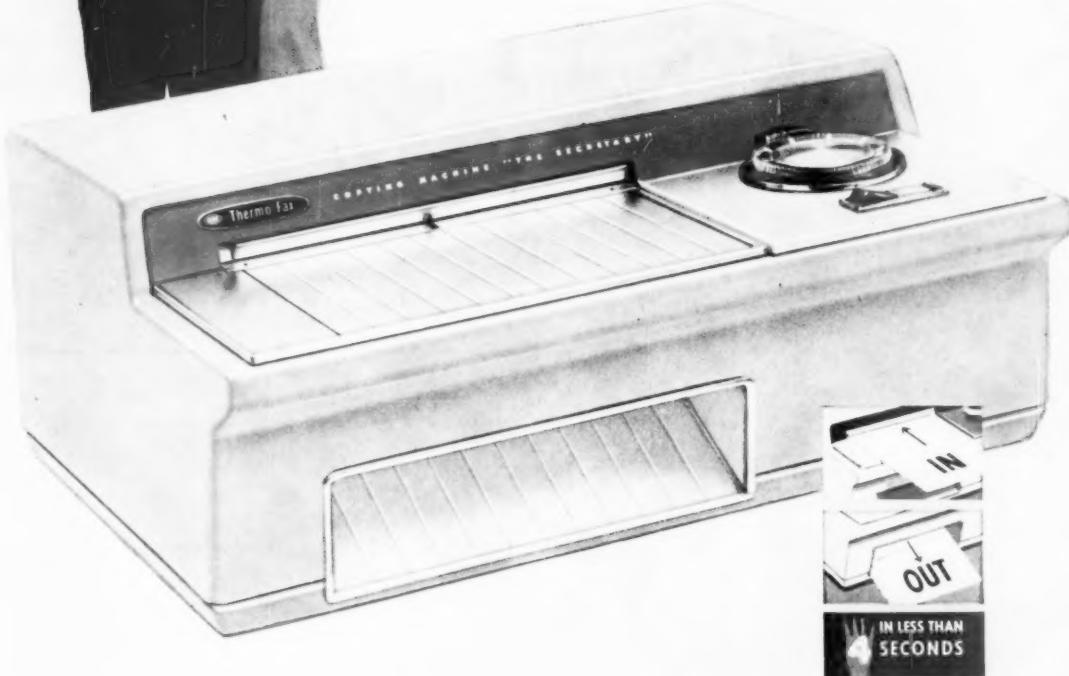
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